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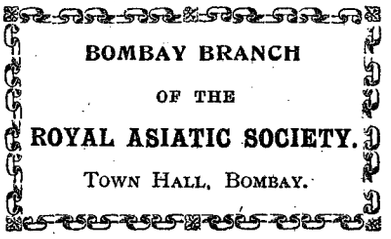

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00108723

REPORT

FROM THE

SELECT COMMITTEE

ON

EAST INDIA RAILWAY COMMUNICATION;

WITH THE

108723

PROCEEDINGS OF THE COMMITTEE.

Ordered, by The House of Commons, *to be Printed,*
18 *July* 1884.

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Messrs. ADAM and CHARLES BLACK, of Edinburgh;
Messrs. ALEXANDER THOM and Co., or Messrs. HODGES, FIGGIS, and Co., of Dublin.

284.

Ordered,—[*Tuesday, 12th February* 1884]:—THAT a Select Committee be appointed to inquire into and report upon the necessity for more rapid extension of Railway Communication in India, and the means by which this object may be best accomplished, with special reference to the Report of the Famine Commissioners, and with due regard to the financial condition of India.

Ordered,—[*Friday, 7th March* 1884]:—THAT the Committee do consist of Nineteen Members.

Committee nominated of—

Mr. Bernhard Samuelson.
Mr. Edward Stanhope.
Lord George Hamilton.
Mr. Baxter.
Mr. Dalrymple.
Mr. Bolton.
Mr. Brodrick.
Mr. Slagg.
Mr. Arthur Balfour.
Mr. William Fowler.
Mr. Jackson.
Mr. Wodehouse.
Mr. Onslow.
Mr. Carbutt.
Mr. William Henry Smith.
Mr. Justin M'Carthy.
Sir George Campbell.
Mr. Gorst.
Mr. Kynaston Cross.

THAT the Committee have power to send for Persons, Papers, and Records.

THAT Seven be the Quorum of the Committee.

REPORT - - - - - - - - - - - - - - - p. iii

PROCEEDINGS OF THE COMMITTEE - - - - - - p. xiii

REPORT.

THE SELECT COMMITTEE appointed to inquire into and report upon the Necessity for more Rapid Extension of RAILWAY COMMUNICATION in INDIA, and the Means by which this Object may be best accomplished, with special reference to the REPORT of the FAMINE COMMISSIONERS, and with due regard to the FINANCIAL CONDITION of INDIA;——HAVE agreed to the following REPORT:—

1. YOUR Committee have endeavoured to confine their inquiry within the limits of the reference made to them, and have devoted their attention mainly to the alleged "necessity for more rapid extension of railway communication in India, and the means by which this object may be best accomplished." They have examined two of the most eminent members of the Famine Commission; they have given attention to the minutes of the colleagues of these gentlemen contained in the Despatches, and they have considered the evidence placed before them as to the effect which the proposed schemes of the Government of India may have upon its financial position.

2. In the first instance your Committee would refer to the chief recommendations made by the Select Committee, which in 1878 and 1879 inquired into the expediency of constructing public works in India with money raised on loan, both as regards financial results and the prevention of famine. Those recommendations were, that the construction of new works with borrowed money should for the future be limited to those schemes which, upon the responsibility of the Government, are estimated to be productive, by yielding an annual income equal to the interest on the capital expended in their construction, including in such capital interest during construction; that the amount to be annually expended upon productive public works should mainly depend upon the financial condition of India, and should, therefore, for the present be limited to an amount of 2,500,000 *l.*; that 2,500,000 *l.* should be the maximum amount to be raised in any one year by the Indian Government (in addition to existing liabilities) for the prosecution of productive public works; that all expenditure on the construction of productive public works should be treated as borrowed money; and that, if in any year the financial condition of India should admit of an increase in this expenditure, by devoting to that purpose surplus revenue, care should be taken that the permanent establishments should not be so increased as to prove burdensome in years less generally prosperous. The Select Committee of 1878-79 were further of opinion that loans for public works in India should always be raised in India, unless the Secretary of State in Council should be satisfied that the difference between the rates of interest in England and India is so considerable as to afford full compensation for the disadvantages which inevitably attend borrowing in this country. Report, p. xxi.

3. While, therefore, that Committee contemplated the outlay of 2,500,000 *l.* a year, in addition to such sums as could be supplied from surplus revenue, and in addition also to the then existing liabilities connected with the guaranteed railway companies, they made no recommendation as to the policy to be pursued in the event of those companies proposing an extension of their systems, or of other companies being ready to undertake the construction of railways, either with or without a guarantee. In fact, the guarantee system was at that time treated as expiring.

Papers, No. 2, "Correspondence regarding Indian Railway Policy, 1881-4," pages 2-4.

4. In 1881 the Secretary of State, in communicating to the Government of India his desire that the policy to be pursued in regard to public works should continue to be in general concurrence with the views expressed by the Select Committee in 1879, laid down a rule that no railway should be considered to be a productive work, *i.e.*, one for which it was legitimate to borrow money, unless it could be fairly estimated that, within a maximum limit of five years from the date of the line being opened for traffic, it would pay 4 per cent. on the capital invested, including therein all arrears of simple interest incurred up to that date, and also the capitalised value of the land revenue and of leave allowances and pensions.

Papers, No. 2, footnote on page 76. Strachey, 132-5. Conway Gordon, 3541.

5. Of the sum of 2,500,000 *l.* thus authorised to be annually borrowed, the Government of India have ordinarily applied 1,800,000 *l.* to railways, and 700,000 *l.* to irrigation. In addition, however, to this sum of 1,800,000 *l.*, they have, with the sanction of the Secretary of State, spent the sums needed for the improvement of the East Indian Railway (which in 1879 had not become a State line), and also such amounts as could be supplied from the ordinary revenue of the year; while further outlay has been incurred by companies working with a Government guarantee of interest.

Papers, No. 16, page 6.

6. The following statement shows the capital expenditure on the construction of railways, in the five years before 1879, and in the five subsequent years:—

RAILWAYS.	1874-75 to 1878-79.					1879-80 to 1883-84.				
	1874-75.	1875-76.	1876-77.	1877-78.	1878-79.	1879-80.	1880-81.	1881-82.	1882-83.	Revised Estimate, 1883-84.
	£.	£.	£.	£.	£.	£.	£.	£.	£.	£.
State	3,935,000	3,227,000	2,893,000	4,056,000	3,549,000	3,152,000	2,631,000	1,883,000	2,115,000	2,695,000
Frontier	–	–	–	–	–	1,334,000	2,293,000	225,000	260,000	—22,000
Protective	–	–	–	–	–	–	–	614,000	—129,000	626,000
East Indian	–	–	–	–	–	154,000	418,000	455,000	148,000	238,000
TOTAL direct Outlay	3,035,000	3,227,000	2,893,000	4,056,000	3,549,000	4,640,000	5,342,000	3,177,000	2,394,000	3,537,000
Guaranteed Companies	1,088,000	951,000	716,000	1,324,000	1,012,000	350,000	435,000	673,000	411,000	1,064,000
Subsidized Companies	–	–	–	–	–	–	–	170,000	338,000	348,000
Southern Mahratta Companies	–	–	–	–	–	–	–	–	711,000	636,000
TOTAL by Companies	1,088,000	951,000	716,000	1,324,000	1,012,000	350,000	435,000	843,000	1,460,000	2,048,000
GRAND TOTAL	4,123,000	4,178,000	3,609,000	5,380,000	4,561,000	4,990,000	5,777,000	4,020,000	3,854,000	5,585,000
Annual Average	£. 4,370,000.					£. 4,845,000.				

(Exclusive of the sum spent by the Bengal and North Western Railway Company.)

From these figures it appears that, although the direct outlay on State railways and irrigation works from borrowed money has been limited to an annual average of 2,500,000 *l.* (1,800,000 *l.* being usually devoted to railways), there has been so much spent from the ordinary revenues or by companies working with

with Government assistance, that the annual average outlay in the last five years on railways alone exceeds that in the former period by 475,000 *l.*

7. Having regard to the certain recurrence of periodical famines, and being of opinion that the cost of famine relief should not be added to the permanent debt of the country, the Government of India established, in 1878, an annual Famine Insurance Fund of 1,500,000 *l.* This sum was fixed upon the calculation that famine relief would cost, in every 10 years, 15,000,000 *l.* And the additional taxation required to provide the Famine Insurance Fund was sanctioned by the Secretary of State in Council on the understanding that the revenue thus raised should be applied to the construction of works likely to avert famine, or to the reduction of debt contracted for famine expenditure. Proposals have more than once been made by the Government of India to hypothecate a portion of the annual Famine Insurance Fund to the payment of interest on money borrowed for the construction of railways. But the Secretary of State in Council has declined to sanction these proposals; and the Select Committee of 1878-79 were also of opinion that the appropriation of a part of the Famine Fund for the payment of interest on loans raised to be expended on famine works, not fully productive, would be an entire inversion of the object for which the fund was created. Westland, 4745-7. Waterfield, 6046-51. 6067.

8. In 1880 the Famine Commission made its Report to the Government of India. From a general calculation of the carrying power of railways in relation to the food supply, and to the greatest population likely ever to require to be fed during a season of famine, they reckoned that, for the million square miles of British India, the length of railway needed to protect the country, on the assumption that each line would provide for a tract 25 miles in width on either side, was 20,000 miles, of which nearly half had been already completed, or was under construction. Taking the cost at 6,000 *l.* a mile, the total outlay might be estimated at 60,000,000 *l.* for the remaining 10,000 miles, which sum, spread over 25 years, would amount to 2,500,000 *l.* a year, or about the amount that had for some few years past, according to their statement, been appropriated yearly to the extension of railways. Such an estimate was, however, in their opinion, greatly in excess of the probable needs of the more accessible tracts for which protection was pressingly required; and, excluding mountainous and desert districts and those naturally placed beyond danger, the Commission considered it probable that less than one half of that length, or 5,000 miles, in addition to the then existing lines (9,000 miles), would go far to remove all future risk of serious difficulty in supplying food to any part of any district in the whole country. The Commission were strongly of opinion that the policy of investing borrowed capital in railway extension should not be abandoned, and expressed their hope that nothing might stand in the way of a very early return to the former scale of grants for that paramount object, or to the adoption of some other equivalent form of aid. Page 170 of Report of Famine Commission.

9. Mr. Danvers, the Secretary of the Public Works Department in the India Office, stated to your Committee that the length of railway open on the 31st of March this year was 10,832 miles, and that at the same date 3,617 miles were under construction, making a total length of nearly 15,000 miles which will be open in a very few years, apart from any other lines not yet commenced. So far, therefore, as the mere mileage is concerned, the recommendations of the Famine Commission are in course of fulfilment. Danvers, 6866. 6971-81.

10. It is, however, obviously necessary to consider, not merely with what length of railway India is already supplied, but what tracts of country remain unsupplied and exposed to the risks of famine. The Government of India in 1881 were so deeply impressed with the Report of the Famine Commission, that they considered it necessary forthwith to construct 3,000 miles of lines needed for protective purposes; and the scheme which they propose has been developed in three despatches written in 1883 and 1884, of which the following is a summary. Papers, No. 2, p. 7. Papers, No. 2.

11. The proposed policy of the Government of India is to leave to private enterprise those lines which are commercially most attractive, and to construct, either directly by the State, or indirectly through the agency of companies, those which are, relatively speaking, unprofitable, but which they consider to Page 34.

be indispensable for protection against famine, or for other urgent purposes. With this object the Government of India have sketched a programme of the railways with which, in their opinion, it is desirable that India should sooner or later be provided.

12. These lines have been arranged in two schedules, A. and B.

Page 86. Schedule B. contains 34 lines, with a total length of 3,432½ miles, of which the cost is estimated at 24,288,000 *l.*; these railways are all considered likely to be remunerative, and they are left to be taken up by private companies, without any aid from the Government except the grant of land free of cost.

Pages 35, 36. The immediate construction of these lines is not contemplated by the Government of India.

Page 82. Schedule A. contains 30 projects, many of which are already under construction, the length requiring still to be made being 3,896 miles, and the cost being estimated at 28,262,450 *l.*, or, after allowing for the repayment of 630,000 *l.* by a Company, 27,832,450 *l.* These railways are all said to be

Page 84. indispensable for protective or other urgent purposes; it is intended that 13,444,000 *l.* shall be borrowed by the Government, 2,100,000 *l.* by construction

Page 76, foot note. and working companies, that is, companies receiving a permanent guarantee of interest to make a line on behalf of the State, and 12,040,000 *l.* by companies working on their own account, with a guarantee of advances of interest for a limited term of years, repayable from surplus profits. The remaining 48,450 *l.* will be supplied from the provincial balances.

13. In order to provide the means of defraying the charge for interest on the capital sum to be raised by the limited guarantee companies for the construction of certain railways in Schedule A., the Government of India propose to appropriate to this purpose an average annual sum of 200,000 *l.* from the famine

Pages 35. 77. grant, together with the anticipated net receipts from these railways. The whole of the outlay for the lines in Schedule A. is to be spent in a period at first fixed at five, but now modified into "a few months more or less than six years."

14. It will be evident that this proposal implies a complete inversion of the

Pages 25-6. regulations hitherto in force, as indeed was stated by the Government of India; for loan funds would be applied to unproductive works, and the famine grant would in part be used as interest on borrowed capital.

15. The arguments of the Government of India in favour of their scheme, were explained to your Committee clearly and in great detail, by the official

Conway-Gordon, 3496, &c. witnesses sent from India for that purpose. Major Conway-Gordon, Deputy Accountant General and Under Secretary to the Government of India in the Public Works Department, showed the details of the proposals in all their

Westland, 4776, &c. administrative bearings; Mr. Westland, the Comptroller and Auditor General,

Hunter, 7138, &c. stated what would be their probable effect on the finances; and Mr. Hunter, the Director General of Statistics, also gave evidence.

Papers, 2, p. 100, and Papers, 6. Strachey, 24-5. Lord, 2512-3. Hardie, 2810. 2817. Conway-Gordon, 3560. Ashburner, 6366. Henderson, 712. Coke, 1255-9. 1427-8. 16. Besides the official evidence, your Committee have considered the memorials of the Bengal, Madras, and Bombay Chambers of Commerce, and the East India Association, and they have examined representatives of the Liverpool and Manchester Chambers of Commerce, and many other witnesses acquainted with the trade of India. But while all these witnesses strongly advocated the more rapid construction of railways in India, none of them supported such extensive proposals as those put forward by the Chambers of Commerce of Bombay and Madras.

17. Your Committee will now proceed to sum up the grounds on which the various witnesses have urged the more rapid construction of railways.

Papers, No. 2. Strachey, 371. Caird, 377. 697. Trevor, 1795. Hardie, 2941. Conway-Gordon, 4279. Westland, 4746. 4879. 4964. (1.) The first ground is the necessity for increasing the works likely to protect the country against famine. General Strachey and Sir James Caird stated that there was no other means of saving life in time of famine so efficient and economical as railways; and Mr. Hunter showed that the plans of the Government rest, not merely on the importance of facilitating the conveyance of food into districts likely to be affected with scarcity, but also on the advantage of providing for its ready transmission from the tracts where grain is abundant.

Hunter, 7138-9. 7331 As he expressed it, "What the Government of India desires, is continuous broad-gauge communications from the centres of food production to the centres of

of population and to the famine tracts." It is with this object mainly that they earnestly press for the construction of certain lines, especially the Bhopal-Gwalior and the Nagpore-Barakur Railways, which they desire to entrust to "Limited Guarantee" Companies. The wants of Bundelcund, which is especially liable to famine, would be provided for, by a line from Manickpur, on the Jubbulpore and Allahabad Line, westwards to Jhansi, and this line has been already undertaken directly by the State.

Chapman, 870. Bullen Smith, 2354. Conway-Gordon, 4350 4417. 4425. Hunter, 7139–51. Conway-Gordon, 4100 Westland, 4921. Hunter, 7140–3. 7152.

(2.) Next may be placed the development of the internal trade of India, with the results of reducing the price of salt and other necessary articles of consumption, of increasing the price of grain which had previously found no market, and of equalising prices throughout a large extent of country.

Lord, 2462. Rendel, 5977. Ashburner, 6462. Hunter, 7188.

(3.) Another point on which stress was laid was the rapid development of the export trade in recent years, exclusive of bullion, of which the following figures, extracted from the Tables of Exports, afford proof:—

Strachey, 276. Caird, 413. 539–40. Coke, 1259–66. 1418–21. Lord, 2461–2. 2494. 2503. 2533. Graham, 2728. Hardie, 2859. 2871. Conway-Gordon, 5452. Hunter, 7188. Statistical Abstract relating to India, 17th Number, page 219.

Years ending 31st March.	Average Annual Value of Exports.
	£.
1864 to 1868 - - - - - - -	57,770,000
1869 to 1873 - - - - - - -	54,990,000
1874 to 1878 - - - - - - -	57,140,000
1879 to 1883 - - - - - - -	69,980,000
And the exports in 1883-84 amounted to -	88,076,000

In regard to the export of wheat in particular, the development of the trade is even more remarkable, the quantity having risen from an average of 4,544,000 cwts., valued at 1,951,000 *l.*, in the five years from 1876-77 to 1880-81, to 19,901,000 cwts., valued at 8,870,000 *l.*, in 1881-82, to 14,144,000 cwts., valued at 6,069,000 *l.*, in 1882-83, and to 20,961,000 cwts., valued at 8,880,000 *l.*, in 1883-84. Your Committee inquired whether the export of food from India in favourable years was detrimental to the welfare of the people, through the reduction of the stocks on which they would depend in times of famine. In reply to this it was stated that famine might be feared when prices rose threefold, but that, long before the cost of wheat to the consumer had been trebled, the price, with the addition of charges for freight, would have become so high as to remove all chance of its being exported; and, even assuming that the prospect of impending famine should fail to prevent exports, the quantity of wheat at all likely to be sent out of the country would not exceed a very small part of the total produce. On the other hand, the position of the cultivator is strengthened by the export trade of prosperous years; the sale of his produce enabling him to accumulate funds with which to meet the attack of famine. It was also stated that some kinds of grain which form a main portion of the staple food of the people are not, as a rule, exported.

Statistical Abstract relating to India, 17th Number, pages 100-3. Coke, 1260. 1522. Trade Tables of India, March 1884. Hunter, 7168-9. 7205–13. Strachey, 277. Caird, 561-2. Hunter, 74.4.

(4.) The stimulus of the high price realised by their produce induces the people, not merely to substitute wheat for less remunerative crops, but also to improve their crops and to extend the area of cultivation, and, as the railways tap fresh districts, more sources of supply are found.

Caird, 643. 672. Coke, 1266. 1319–20. Glover, 1890. 1945. 1962–5. 2057. 2071–5. 2247–9. Bythell, 2614; Conway-Gordon, 5527–9. 5578; Ashburner, 6419. 6427. 6521–3; Hunter, 7162. 7170.

(5.) To a certain extent the land revenue of the Government is thereby increased; but this can only take place very gradually as the assessments of the districts expire, and the enhancement of the Government revenue bears but a small proportion to the increase of the income of the cultivator. General Strachey estimated the annual benefit to the people of India, owing to the construction of railways, at 30 to 40 million pounds sterling.

Strachey, 353. 355. Bythell, 2614. Birkmyre, 3446–8. Ashburner, 6343. 6405–14. Danvers, 6887. 7021–2. Hunter, 7144. 7217.

(6.) In certain districts the construction of railways would open up valuable coal fields; and possibly they would lead to the profitable working of iron mines, though on this point the evidence was slight. The line from Bilaspur to Etawah has been specially mentioned as being likely to have a profitable trade in minerals.

Caird, 567–8. 619. Glover, 1899. 2133–4. Dickens, 3162. Crawford, 3687. 3803. Hunter, 7151. 7236–9. 7283.

Caird, 376. 381. 431-4. 692. Chapman, 802-5. 860-1. 876. 903-5. Strachey, 1187. Glover, 1913 9. 1943. 1949-54. 1998-2001. 2251. Clarke, 2271-3. Wood, 2292; Hardie, 2899-2902; Birkmyre, 3387. 3393; Danvers, 6887. 7016-23; Hunter, 7159-61. 7216. 7307. 7423.

(7.) Some of the witnesses testified to the improvement in the economic and material condition of the people caused by railways, through the rise in wages, and the spread of manufacturing industry among a people of whom the great bulk gain their living entirely from agriculture. In sparsely populated countries the railways are said to have been of much use, by facilitating immigration from overcrowded districts.

Strachey, 239. Caird, 384. 451. Chapman, 796. 800. 808. 859. Coke, 1410-2. 1502-3. Glover, 1896. 1909. 1947. 2081-4. 2192-2200. 2241-2. Graham, 2778. Dickens, 3062. Rendel, 6006. Papers, No. 12.

(8.) The unusual cheapness of materials, and especially of iron and steel, was strongly pressed as a reason for taking advantage of the present moment to push the construction of railways. Mr. Rendel, whose experience as Consulting Engineer to the Indian Government and many Indian Railway Companies entitles his opinion to great weight on such a point, said that "rails and sleepers were never so cheap and never so good as they are now." Mr. Glover, a contractor of much experience, said that the saving in the cost of materials and labour was estimated at 11 per cent., compared with the prices of 10 years ago. These statements were fully confirmed by the tables of prices furnished by the British Iron Trade Association.

Caird, 380. 436. 555. Birkmyre, 3416.

(9.) The improvement which has taken place in the credit of the Government of India in the London Money Market would enable it now to borrow the requisite capital at a much cheaper rate than was formerly the case; and, if guarantees have to be given to companies, it is no longer necessary to offer the high rate of 5 per cent., formerly given.

Papers, No. 2. Papers, No. 6, page 2. Strachey, 21-31. 55. 374. 1139; Chapman, 741-3. 1023; Coke, 1281-4; Dickens, 3058-60; Conway-Gordon, 4293-8. 4303. 4486. 4501; Ashburner, 6364; Danvers, 6875-6.

(10.) The possibility of accelerating the construction of railways by the Government availing itself of the agency of companies was pointed out. The general opinion is that the emulation created by the two systems is advantageous, and that, in the words of the Bengal Chamber of Commerce, "for many years to come the field will be large enough for both agencies to work side by side."

Strachey, 308. Bythell, 2609. Dickens, 3233. Birkmyre, 3416. Westland, 4954.

(11.) The experience of the conditions of railway construction in India, gained by the engineers, is another reason why lines can now be constructed at much less cost.

Financial Statement for 1884-85, page 55. Strachey, 4. Bythell, 2607. Graham, 2728. Westland, 4776.

(12.) The financial position of the Government of India is unquestionably better than five years ago, when the country was struggling with the burden caused by the terrible famine in Southern India, and had also to bear the cost of the military operations in Afghanistan.

Graham, 2740. Birkmyre, 3482-4.

(13.) Finally, it has been represented that slow construction is costly, and that, when once a railway is begun, the truest economy consists in speedily bringing it into operation.

18. On the other hand, your Committee deem it necessary to specify various reasons assigned by some of the witnesses, which seem to point to caution in incurring a great expenditure in the rapid development of railways.

Conway-Gordon, 4396. Waterfield, 6110-2

(1.) From a Despatch which has been recently addressed by the Secretary of State to the Government of India, it appears that up to the present time the charge imposed on the revenues, year by year, in consequence of the railway policy, has varied from a maximum of nearly 236 lakhs of rupees (in 1878-9) to a minimum of 20½ lakhs in 1881-82, and that the aggregate charge up to the end of the current year is 41 crores of rupees, or (in the conventional exchange of 2 *s.* to the rupee) 41 millions sterling, excluding interest on the sums so laid out which would amount to about 30 crores in addition. It has, however, been pointed out that this payment is not a loss, but is the price at which India has purchased the great advantages she derives from a network of some 10 or 11 thousand miles of railway traversing the country in all directions, and enabling her people to move their produce and goods with a facility which was unknown before the railways were made. It was also observed that the annual burden has been almost extinguished in recent years; that to a great extent it is the result of the guarantees given in former years on terms which would not now be granted; and that many of the lines are paying excellent dividends, even on the heavy capital outlay incurred on them.

(2.) The

(2.) The difficulty of raising money in India has been set before us, especially by Mr. Hardie and Mr. Westland, whose calculations show that not much more than a crore of rupees each year is likely to be subscribed in India for permanent holding as an investment in that country; and, therefore, since the bulk of the funds required for railway extension must be found in England, whether in the shape of sterling loans, of guaranteed capital, of unguaranteed or temporarily guaranteed capital, or of rupee loans held in this country, the possible loss by exchange must be accepted as an element of risk either to the Government or the investor. Capital raised here would now, however, be transmitted to India at the present low rate of exchange, and no loss would arise in remitting the dividends to England, unless the value of the rupee should fall yet further.

Hardie, 2803. 2915. 2922–3. 2960. 2996. 3008-9. 3027. 3042-3. Westland, 4773. 4785–92.

(3.) With regard to the finances, it is said that when the pressure of war and famine ceased, there was undoubtedly a very large surplus of revenue; but the fiscal reforms effected in 1882 and 1883 disposed of that surplus, and sufficient time has not yet passed for the recovery of such a financial position as would enable the country to meet an emergency without fear of fresh taxation. Even since the last financial statement of the Government of India was published in March, it has been determined to complete the railway to Quetta, involving an expenditure of about 2,000,000 *l.* in four years, which is sufficient to sweep away the whole of the surplus reckoned upon by Mr. Westland as justifying the proposals of the Government of India.

Financial Statement for 1884–5, page 3.

Westland, 4938. 5266–8.

(4.) Great objection is felt by some to any measure that shall divert from its primary object any portion of the famine insurance provision. On this point your Committee were referred to the evidence given before the Committee of 1879 by Sir Thomas Seccombe, lately Assistant Under Secretary of State for India, whose long experience as Financial Secretary at the India Office renders his advice on such a subject peculiarly valuable.

Seccombe, 467 (of 1879).

(5.) So recently as 1879, a large reduction of the engineer establishment in India was effected; and any measure involving a sudden increase of the establishment, with the consequent pensions, was greatly deprecated.

Coke, 1283. 1406. 1425–6. Graham, 2775. Dickens, 3129–31. 3292.

(6.) The scheme of the Government of India is largely dependent on their belief that certain lines, to which they attach the greatest importance, will be taken up by companies working with a guarantee of interest limited to a comparatively short period, or without any guarantee. Considerable doubt, however, is thrown by the evidence, on the prospect of such companies being willing to undertake the desired task; and Mr. Hunter admitted that, although he had ascertained that one set of promoters was still desirous of constructing the line for which they had been in treaty, the proposal which they had last made involved a permanent guarantee. Apart from this also, objection is felt to hypothecating the sum annually set aside for railways from the famine grant.

Strachey, 23. 1081. 1139–41. Caird, 390. 558–9. 702 Chapman, 787. 820. 914–21. 949. 979. Bullen Smith, 2308–10. Hardie, 2823–4. 2831–3. Dickens, 3074. 3096–7. 3238. 3258–60; Conway-Gordon, 4119. 4308. 5553. 5590–6; Westland, 4849–50; Ashburner, 6360–2; Robertson, 6710–1; Danvers, 6877–9. 7089; Hunter, 7317–24. 7382–3. 7388.

(7.) One point on which great stress has been laid by the official witnesses, is that the proposals for an extension of the railways are contingent upon their involving no new taxation. This was clearly stated by the Government of India, and has been emphatically asserted by Major Conway-Gordon as a cardinal principle, and confirmed by Mr. Westland.

Papers 2, page 33, para. 54; Conway-Gordon, 3526. 3557. 3620. 4071–72. 4277. 4288. 4695–9. 4731. 5523. 5609. Westland, 4970–1. Waterfield, 6280–1. Danvers, 6872–7071.

19. The maintenance of the rigid distinction between productive and protective lines is said to hinder the application of borrowed capital to the very lines which are most needed as a protection against famine, and tends to cause unreasonably sanguine estimates of the remunerative nature of projected works to be produced, in order to bring them into the productive class.

Strachey, 7, 8. 179.

20. Your Committee have given the most careful consideration to the arguments thus summarized, and they consider the evidence in favour of a more rapid extension of railway communication to be conclusive.

Strachey, 26. 119. 320. 1109; Caird, 396; Henderson, 713; Chapman, 740. 875. 942; Coke, 1259. 1393. 1427–8; Glover, 1889–93. 1898. 1995; Clarke, 2266; Wood, 2277–8; Bullen-Smith, 2302–3, 2315–6; Lord, 2461–2. 2494. 2512. 3533; Bythell, 2607. 2612; Graham, 2728; Hardie, 2859–61; Dickens, 3047–8. 3055. 3061; Birkmyre, 3374. 3379. 3386. 3477–9; Conway-Gordon, 3635–8. 5484. 5532–3; Rendel, 5658. 5665. 5848. 5887. 5976; Ashburner, 6336–40. 6351–2; Danvers, 6871; Hunter, 7137–9. 7156.

Coke, 1297–1300. 1310–1; Glover. 1848. 1852–6. 1967; Lord, 2478. 2534–6; Bythell, 2711; Graham, 2737–9; Conway-Gordon, 4341–2. 4394. 4694. 4712–4. Danvers, 6892–5.

21. With regard to the question of gauge, your Committee are of opinion that all the leading trunk lines, with their principal feeders, should be on the broad gauge, the metre gauge being as a rule confined to tracts of country where that system is already in successful operation, and to local lines where the traffic is likely to be so light, that cheapness of construction more than counterbalances the undoubted disadvantage of break of gauge. The witnesses, with singular unanimity, General Strachey and Mr. Rendel being the only exceptions, attached great importance to the avoidance of breaks of gauge.

Chapman, 741. Coke, 1281–4. Trevor, 1665. Dickens, 3058–60. Conway-Gordon, 4293–4303. 4371. Westland, 4928. Danvers, 6875.

22. In considering the means by which a more rapid extension of railway communication may be accomplished, your Committee have given great attention to the merits of State operations, as compared with construction and working by the means of companies; and they are of opinion that it is desirable to employ both agencies. State operations are according to the present practice limited to the strength of the Public Works Department, the permanent staff of which it is not desirable to increase, for reasons given before the Select Committee of 1878-79, which reasons your Committee fully endorse. On the one hand, money can be raised more cheaply by the State, on the other construction and working by companies does not necessarily involve any increase of the staff of the Public Works Department, and it relieves the Government of India of a somewhat onerous charge; besides which, the emulation between *quasi* private enterprise and Government working tends to promote economical construction and management.

Chapman, 787. Conway-Gordon, 5590 to 5594. Danvers, 6874. 7089.

23. Your Committee think that the time may come when new railways will be made in India by unassisted private enterprise, and that this should be kept in view in all contracts made by the State, so that nothing should be done to prejudice a change of system which improved financial results of Indian railways, and greater consequent confidence on the part of the investing public might justify. Your Committee are confirmed in this belief by an examination of the last year's railway accounts, which show clearly that, irrespective of loss by exchange, which is a matter really outside the consideration of loss or profit on any particular line, the return on the whole railway investment of India was 5·68 per cent.

Waterfield, 6071–3. 6078–84.

24. The terms on which companies have lately undertaken railways in India are as follows, in all of which the companies have received land free of cost:—

(*a.*) The plan known as the "Bengal and North Western" terms, under which the company makes the line upon its own responsibility, and receives the whole of the profits of the undertaking, the line reverting to the State at the end of 99 years. The terms of purchase by the Government under this plan are that, at the end of 30 or 50 years, the Government may buy the company's interest at the rate of 25 years' purchase of the average annual net earnings of the line for the previous five years.

(*b.*) The plan known as the "Bengal Central" terms, under which the Company receives a guarantee of 4 per cent. on paid-up capital during construction, which advance is to be repaid with simple interest by the Company to the Government, by a contribution of half its net earnings over 5 per cent. The terms of purchase are, that at the end of 30 or 50 years the Government may buy the undertaking at the rate of 125 *l.* for each 100 *l.* of stock.

(*c.*) The "Southern Mahratta" terms, under which the Company practically acts as agent for the Government, receiving a guarantee of $3\frac{1}{2}$ per cent. plus one-fourth of the net receipts during the currency of the agency, which is terminable after the 25th year, or at subsequent intervals of 10 years, at the option of the Government, while the Company by giving a year's notice may demand the return of their capital. This guarantee is payable in rupees; such a number of rupees being guaranteed as will insure to the holder of stock a sterling payment in London of $3\frac{1}{2}$ per cent. (plus at least a half per cent. until 1889), after which the guarantee is the equivalent of $3\frac{1}{2}$ per cent. sterling in London, plus one-fourth of the net receipts, which are payable in India.

25. In

25. In commenting upon these plans, your Committee will point out that each is suitable under certain circumstances.

(*a.*) When a line may be expected to give a considerable immediate return, the Bengal North-Western terms are reasonable.

(*b.*) When the prospect is not so well assured, the Bengal Central terms offer a greater inducement to the investor, by guaranteeing interest on capital during construction.

(*c.*) The Southern Mahratta terms offer a permanent security to investors, which is equal to the security of the Government of India, with the addition of a quarter of the net receipts of the line.

Your Committee, however, think that it is unnecessary to complicate these terms by stating that the *equivalent* in rupees of a $3\frac{1}{2}$ per cent. sterling guarantee shall be given; and suggest that the guarantee in sterling should be absolute.

They also suggest that, in future contracts, the option of demanding the repayment of the capital of the Company by one year's notice should not be unconditionally given.

26. Your Committee do not feel justified in recommending which particular lines should be made on particular terms, but they are of opinion that simplicity of terms is of great importance in inducing companies to make new lines; that all possible publicity should be given both in India and in England to the projects which Government wish to be undertaken by companies; that negotiations should be conducted as expeditiously as possible, so as to avoid all unnecessary delays in arranging contracts; and that the accounts of the financial results of railways in India should be kept in such a manner, and so published, as to be easily available to and understood by the investing public.

Dickens, 3081. 3213–4. Birkmyre, 3350–1. Conway Gordon, 3353. 3653–4. 4307. 4465–8. 4580. 4590–1. 4627–43. 4697. Westland, 4813–7. 4957–9. 5028–39. 5067–9. 5106–8. Waterfield, 6106–11.

27. Your Committee are of opinion that the Government should retain in their own hands a power of fixing or from time to time varying the maximum of fares and rates, subject to adequate provisions to secure the interests of investors.

Lord, 2568–9. Bythell, 2631. Graham, 2742. *Hardie, 2829.* Dickens, 3250. Birkmyre, 3361. Conway-Gordon, 4367. Danvers, 6999.

28. Your Committee are of opinion that the technical distinction which has been hitherto made between protective and productive lines cannot be maintained. They recommend, therefore, that railways, needed for protection from famine or for the development of the country, be made as required, whether they be technically considered protective or productive. Your Committee do not approve of the entire removal of the existing check upon the construction of unremunerative railways as suggested by the Indian Government. The evidence even of their own witnesses has been against this revolution of policy. Your Committee are strongly of opinion that the bulk of the lines made should be self-supporting.

Strachey, 8. *Caird, 386.* Conway-Gordon, 5367. 5600–3. Hunter, 7139.

29. The attention of your Committee has been called to the mischief occasioned by constant fluctuations of policy in the construction of railways, and they are of opinion that a careful forecast having been made of future requirements for public works over a considerable term of years, such a scale of expenditure upon railways should be adopted as can reasonably be maintained.

Papers, No. 2, page 36. Trevor, 1580–2. Dickens, 3048. 3131. 3304. Conway-Gordon, 3526. Waterfield, 6104. 6193–5. 6320–1.

30. Your Committee are of opinion that the amount proposed to be spent on railways by the Government of India during the next six years is moderate, and that, looking to the experience of past years, and to present prospects, there is a very fair ground for expecting that an extension of the railway system of India on the scale proposed will have most beneficial effects.

Conway-Gordon, 3495 to 3527. 5609 to 5611, and *passim.* Westland, *passim.*

31. Your Committee have considered with great care the evidence placed before them as to the expediency of borrowing in India or England. They are strongly impressed with the reasons which weighed with the Committee of 1879, and with the Home Government; and they are of opinion, that if the capital required could be *really obtained from Indian sources,* the advantages of borrowing there, as compared with borrowing in England, would be very great. The growth too of the sterling debt in times of war or famine, and the difficulty of reducing that debt, even in prosperous years, has been clearly demonstrated,

Bullen-Smith, 2317. Lord, 2484–8. Bythell, 2711. Graham, 2748. Hardie, 3005. Birkmyre, 3355. Conway-Gordon, 4256. Westland, 4805–6. Danvers, 6874. 7028–9.

Papers, 14. Waterfield, 6091–6105. 6117–9. 6121–33. 6184–90. 6201–4. 6221–40. 6249–66. 6322–3.

demonstrated, both in the evidence of Sir T. Seccombe before the Committee of 1879, and in Mr. Waterfield's evidence before the present Committee. Your Committee think also that, for political as well as for financial reasons, it is desirable that loans should, as far as possible, be raised in India; but they do not believe that rupee loans, *which are not really absorbed in India,* differ materially in their effect upon exchange from sterling loans, as, if held in Europe, the interest upon them will probably be remitted from India, and will come into the exchange market. They would, therefore, recommend, quoting the words of the Report of the Select Committee of 1879, that, when "the difference between the rates of interest in India and in England is so considerable as to afford full compensation for the great comparative disadvantages which inevitably attend borrowing in this country," the Secretary of State in Council should not hesitate to borrow such moderate sums in this country as will enable the Government of India to complete such public works as shall have obtained his sanction.

* Despatch of 29 Jan. 1884, paras. 10 and 11. Papers, No. 2, pages 76 and 77.

32. With regard to the recommendation of the Government of India that interest on the sum of 11,250,000 *l*.,* to be spent on productive and protective railways, should be partly provided by hypothecating 200,000 *l*. of the Famine Grant, your Committee are of opinion that any such application of any portion of that grant would be entirely contrary to the purposes for which the fund was created, and they cannot concur in this suggestion.

33. Your Committee have endeavoured to arrive at some definite conclusion respecting the amount of money which may, on an average of years, and with safety to the finances, be annually borrowed for the construction of public works. But, from the limited field of taxation, and the fluctuations to which the finances of India are liable, they believe it to be impossible for them to form any precise forecast on which to base a definite recommendation on this subject. Whilst expressing an opinion that the present limit of borrowing, fixed by the Committee of 1878–79 at 2,500,000 *l*., might safely be enlarged, they think that the full responsibility of deciding upon the amounts to be borrowed from year to year should rest with the Secretary of State in Council.

34. In making the recommendations contained in this Report, your Committee wish most emphatically to endorse the declaration of the Government of India, made by Major Conway-Gordon and Mr. Westland, that the proposed extension of railways should not involve additional taxation.

18 *July* 1884.

PROCEEDINGS OF THE COMMITTEE.

Wednesday, 12*th March* 1884.

MEMBERS PRESENT:

Mr. Jackson.
Sir George Campbell.
Mr. Dalrymple.
Mr. Justin M'Carthy.
Mr. Onslow.
Mr. Kynaston Cross.
Mr. Baxter.
Mr. Bernhard Samuelson.
Mr. Carbutt.
Mr. Wodehouse.
Mr. William Fowler.
Mr. William Henry Smith.
Mr. Edward Stanhope.
Mr. Gorst.
Mr. Brodrick.

Mr. BAXTER was called to the Chair.

[Adjourned till Friday the 21st, at Twelve o'clock.

Friday, 21*st March* 1884.

MEMBERS PRESENT:

Mr. BAXTER in the Chair.

Mr. Wodehouse.
Mr. Bolton.
Mr. Justin M'Carthy.
Mr. Slagg.
Mr. William Fowler.
Mr. Carbutt.
Lord George Hamilton.
Mr. Kynaston Cross.
Mr. William Henry Smith.
Mr. Bernhard Samuelson.
Sir George Campbell.
Mr. Dalrymple.
Mr. Onslow.
Mr. Jackson.
Mr. Gorst.
Mr. Brodrick.
Mr. Arthur Balfour.
Mr. Edward Stanhope.

Lieutenant General *Richard Strachey* was examined.

[Adjourned till Tuesday next, at Twelve o'clock.

Tuesday, 25*th March*, 1884.

MEMBERS PRESENT:

Mr. BAXTER in the Chair.

Mr. Wodehouse.
Mr. Slagg.
Mr. Justin M'Carthy.
Mr. William Fowler.
Mr. Carbutt.
Mr. Brodrick.
Mr. Kynaston Cross.
Mr. William Henry Smith.
Mr. Bernhard Samuelson.
Sir George Campbell.
Mr. Edward Stanhope.
Mr. Onslow.
Mr. Dalrymple.
Mr. Jackson.

Sir *James Caird* and Lieutenant General *W. Anderson* were examined.

[Adjourned till Friday next, at Twelve o'clock.

Friday, 28th March 1884.

MEMBERS PRESENT:

Mr. BAXTER in the Chair.

Mr. Wodehouse.
Mr. Bolton.
Mr. Slagg.
Mr. Justin M'Carthy.
Mr. William Fowler.
Mr. Carbutt.
Mr. Brodrick.
Lord George Hamilton.
Mr. Kynaston Cross.
Mr. William Henry Smith.
Mr. Bernhard Samuelson.
Sir George Campbell.
Mr. Dalrymple.
Mr. Gorst.
Mr. Onslow.

Mr. *F. S. Chapman* and Lieutenant General *Richard Strachey* were examined.

[Adjourned till Tuesday next, at Twelve o'clock.

Tuesday, 1st April 1884.

MEMBERS PRESENT:

Mr. BAXTER in the Chair.

Mr. Wodehouse.
Mr. Bolton.
Mr. Justin M'Carthy.
Mr. William Fowler.
Mr. Carbutt.
Mr. Brodrick.
Lord George Hamilton.
Mr. Kynaston Cross.
Mr. Bernhard Samuelson.
Sir George Campbell.
Mr. Gorst.
Mr. Edward Stanhope.
Mr. Onslow.
Mr. Dalrymple.
Mr. Arthur Balfour.
Mr. William Henry Smith.

Mr. *Henry Coke* and General *Trevor* were examined.

[Adjourned till Friday next, at Twelve o'clock.

Friday, 4th April 1884.

MEMBERS PRESENT:

Mr. BAXTER in the Chair.

Mr. Wodehouse.
Mr. Bolton.
Mr. Slagg.
Mr. William Fowler.
Mr. Carbutt.
Lord George Hamilton.
Mr. Kynaston Cross.
Mr. William Henry Smith.
Mr. Bernhard Samuelson.
Sir George Campbell.
Mr. Gorst.
Mr. Onslow.
Mr. Dalrymple.
Mr. Brodrick.

Mr. *Thomas Craigie Glover*, Mr. *Hyde Clarke*, and Mr. *William Martin Wood*, were examined.

[Adjourned till Tuesday, 29th inst., at Twelve o'clock.

Tuesday, 29*th April* 1884.

MEMBERS PRESENT:

Mr. BAXTER in the Chair.

Mr. Wodehouse.
Mr. Bolton.
Mr. William Fowler.
Mr. Carbutt.
Lord George Hamilton.
Mr. Kynaston Cross.
Mr. Bernhard Samuelson.
Sir George Campbell.
Mr. Gorst.
Mr. Dalrymple.
Mr. Onslow.
Mr. Jackson.
Mr. Arthur Balfour.
Mr. Brodrick.
Mr. Edward Stanhope.

Mr. *James Bullen Smith*, Mr. *George Lord*, Mr. *John K. Bythell*, and Mr. *Donald Graham*, were examined.

[Adjourned till Friday next, at Twelve o'clock.

Friday, 2*nd May* 1884.

MEMBERS PRESENT:

Mr. BAXTER in the Chair.

Mr. Wodehouse.
Mr. Bolton.
Mr. Slagg.
Mr. William Fowler.
Mr. Carbutt.
Lord George Hamilton.
Mr. Kynaston Cross.
Mr. William Henry Smith.
Mr. Bernhard Samuelson.
Sir George Campbell.
Mr. Gorst.
Mr. Onslow.
Mr. Dalrymple.
Mr. Jackson.
Mr. Brodrick.

Mr. *Robert Hardee*, Lieutenant-General *C. H. Dickens*, and Mr. *William Birkmyre*, were examined.

[Adjourned till Tuesday next, at Twelve o'clock.

Tuesday, 6*th May* 1884.

MEMBERS PRESENT:

Mr. BAXTER in the Chair.

Mr. Wodehouse.
Mr. Bolton.
Mr. Slagg.
Mr. William Fowler.
Mr. Carbutt.
Mr. Kynaston Cross.
Mr. Bernhard Samuelson.
Mr. Onslow.
Mr. George Campbell.
Mr. Gorst.
Mr. Dalrymple.
Mr. Brodrick.
Mr. Jackson.

Mr. *William Birkmyre* and Major *L. Conway Gordon* were examined.

[Adjourned till Friday next, at Twelve o'clock.

Friday, 9*th May* 1884.

MEMBERS PRESENT:

Mr. BAXTER in the Chair.

Mr. Bolton.	Sir George Campbell.
Mr. William Fowler.	Mr. Brodrick.
Mr. Carbutt.	Mr. Dalrymple.
Mr. Kynaston Cross.	Mr. Jackson.
Mr. Bernhard Samuelson.	

Mr. *Robert Wigram Crawford* was examined.

[Adjourned till Tuesday next, at Twelve o'clock.

Tuesday, 13*th May* 1884.

MEMBERS PRESENT:

Mr. BAXTER in the Chair.

Mr. Wodehouse.	Mr. Bernhard Samuelson.
Mr. Bolton.	Sir George Campbell.
Mr. Slagg.	Mr. Gorst.
Mr. William Fowler.	Mr. Jackson.
Mr. Carbutt.	Mr. Brodrick.
Mr. Kynaston Cross.	Mr. Dalrymple.
Mr. William Henry Smith.	Mr. Edward Stanhope.

Major *L. Conway Gordon* was further examined.

[Adjourned till Friday next, at Twelve o'clock.

Friday, 16*th May* 1884.

MEMBERS PRESENT:

Mr. BAXTER in the Chair.

Mr. Wodehouse.	Mr. William Henry Smith.
Mr. Bolton.	Mr. Bernhard Samuelson.
Mr. Slagg.	Sir George Campbell.
Mr. William Fowler.	Mr. Gorst.
Mr. Carbutt.	Mr. Jackson.
Mr. Kynaston Cross.	Mr. Dalrymple.

Major *L. Conway Gordon* and Mr. *Westland* were examined.

Tuesday, 20*th May* 1884.

MEMBERS PRESENT:

Mr. BAXTER in the Chair.

Mr. Wodehouse.	Mr. Dalrymple.
Mr. Bolton.	Sir George Campbell.
Mr. Carbutt.	Mr. Edward Stanhope.
Mr. Kynaston Cross.	Mr. William Henry Smith.
Mr. Bernhard Samuelson.	Mr. Gorst.
Mr. Jackson.	Mr. Slagg.

Mr. *James Westland* was further examined.

[Adjourned till Friday next, at Twelve o'clock.

Friday, 28*th May* 1884.

MEMBERS PRESENT:

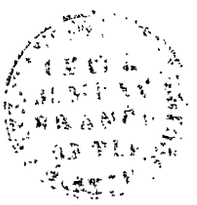
Mr. BAXTER in the Chair.

Mr. Wodehouse.	Mr. William Henry Smith.
Mr. Bolton.	Sir George Campbell.
Mr. Slagg.	Mr. Gorst.
Mr. William Fowler.	Mr. Brodrick.
Mr. Carbutt.	Mr. Dalrymple.
Mr. Kynaston Cross.	Mr. Jackson.

Mr. *James Westland* was further examined.

[Adjourned till Tuesday next, at Twelve o'clock.

Tuesday 27*th May* 1884.



MEMBERS PRESENT:

Mr. BAXTER in the Chair.

Mr. Wodehouse.	Mr. William Henry Smith.
Mr. Bolton.	Mr. Bernhard Samuelson.
Mr. Slagg.	Sir George Campbell.
Mr. William Fowler.	Mr. Carbutt.
Mr. Kynaston Cross.	Mr. Brodrick.

Major *Conway Gordon* and Mr. *James Westland* were further examined.

[Adjourned till Tuesday, 10th June, at Twelve o'clock.

Tuesday 10*th June* 1884.

MEMBERS PRESENT:

Mr. BAXTER in the Chair.

Mr. Wodehouse.	Mr. Bernhard Samuelson.
Mr. Bolton.	Sir George Campbell.
Mr. William Fowler.	Mr. Brodrick.
Mr. Carbutt.	Mr. Dalrymple.
Mr. Kynaston Cross.	Mr. Jackson.
Mr. William Henry Smith.	

Mr. *Alexander Meadows Rendel* was examined.

[Adjourned till Friday next, at Twelve o'clock.

Friday, 13*th June* 1884.

MEMBERS PRESENT:

Mr. BAXTER in the Chair.

Mr. Wodehouse.	Mr. Dalrymple.
Mr. Bolton.	Mr. Slagg.
Mr. William Fowler.	Mr. Jackson.
Mr. Kynaston Cross.	Mr. Brodrick.
Mr. Bernhard Samuelson.	Mr. Carbutt.
Sir George Campbell.	Mr. William Henry Smith.
Mr. Gorst.	Lord George Hamilton.
Mr. Edward Stanhope.	

Mr. *Henry Waterfield* was examined.

The Committee deliberated.

[Adjourned till Tuesday next, at Twelve o'clock.

Tuesday 17*th June* 1884.

MEMBERS PRESENT:

Mr. BAXTER in the Chair.

Mr. Wodehouse.	Mr. Brodrick.
Mr. Bolton.	Mr. Dalrymple.
Mr. William Fowler.	Mr. Jackson.
Mr. Kynaston Cross.	Mr. Carbutt.
Mr. Bernhard Samuelson.	Mr. Edward Stanhope.
Sir George Campbell.	Mr. William Henry Smith.

Mr. *Lionel Ashburner*, Mr. *Trail Robertson*, and Major *Conway Gordon* were examined.

[Adjourned till Friday next, at Twelve o'clock.

Friday 20*th June* 1884.

MEMBERS PRESENT:

Mr. BAXTER in the Chair.

Mr. Wodehouse.	Mr. Bernhard Samuelson.
Mr. Bolton.	Sir George Campbell.
Mr. Slagg.	Mr. Jackson.
Mr. Brodrick.	Mr. William Fowler.
Mr. Kynaston Cross.	Mr. William Henry Smith.

Mr. *Juland Danvers* was examined.

[Adjourned till Tuesday next, at Twelve o'clock.

Tuesday 24th June 1884.

MEMBERS PRESENT:

Mr. BAXTER in the Chair.

Mr. Slagg.	Sir George Campbell.
Mr. William Fowler.	Mr. Dalrymple.
Mr. Carbutt.	Mr. Jackson.
Mr. Kynaston Cross.	Mr. Bolton.
Mr. Bernhard Samuelson.	Mr. Gorst.

Dr. *W. W. Hunter* was examined.

[Adjourned till Thursday, 10th July, at Twelve o'clock.

Thursday, 10th July 1884.

MEMBERS PRESENT:

Mr. BAXTER in the Chair.

Mr. Brodrick,	Mr. Slagg.
Mr. Edward Stanhope.	Mr. Bolton.
Sir George Campbell.	Mr. Wodehouse.
Mr. Kynaston Cross.	Mr. Bernhard Samuelson.
Mr. Carbutt.	Mr. Jackson.
Mr. William Fowler.	

DRAFT REPORT, proposed by the *Chairman*, read the first time, as follows:—

"1. YOUR Committee have endeavoured to confine their inquiry to the limits of the reference made to them, and have devoted their attention mainly to the alleged 'necessity for more rapid extension of Railway Communication in India, and the means by which this object may be best accomplished.' They have examined two of the most eminent members of the Famine Commission; they have given attention to the minutes of the colleagues of these gentlemen contained in the Despatches, and they have considered the evidence placed before them as to the effect which the proposed schemes of the Government of India may have upon its financial position.

"2. In the first instance your Committee would refer to the chief recommendation made by the Select Committee, which in 1878 and 1879 inquired into the expediency of constructing public works in India with money raised on loan, both as regards financial results and the prevention of famine. Those recommendations were, that the construction of new works with borrowed money should for the future be limited to those schemes which, upon the responsibility of the Government, are estimated to be productive, by yielding an annual income equal to the interest on the capital expended in their construction, including in such capital interest during construction; that the amount to be annually expended upon productive public works should mainly depend upon the financial condition of India, and should, therefore, for the present be limited to an amount of 2,500,000 *l.*; that 2,500,000 *l.* should be the maximum amount to be raised in any one year by the Indian Government (in addition to existing liabilities) for the prosecution of productive public works; that all expenditure on the construction of productive public works should be treated as borrowed money; and that, if any year the financial condition of India should admit of an increase in this expenditure, by devoting to that purpose surplus revenue, care should be taken that the permanent establishments should not be so increased as to prove burdensome in years less generally prosperous. Report, p. xxi.

"3. While, therefore, that Committee contemplated the outlay of 2,500,000 *l.* a year, in addition to such sums as could be supplied from surplus revenue, and in addition also to the then existing liabilities connected with the guaranteed railway companies, they made no recommendation as to the policy to be pursued in the event of those companies proposing an extension of their systems, or of other companies being ready to undertake the construction of railways, either with or without a guarantee; in fact, the guarantee system was at that time treated as expiring.

Papers, No. 2, "Correspondence regarding Indian Railway Policy, 1881–4," pages 2–4.

"4. In 1881 the Secretary of State, in communicating to the Government of India his desire that the policy to be pursued in regard to public works should continue to be in general concurrence with the views expressed by the Select Committee in 1879, laid down a rule that no railway should be considered to be a productive work, *i.e.*, for which it was legitimate to borrow money, unless it could be fairly estimated that, within a maximum limit of five years from the date of the line being opened for traffic, it would pay 4 per cent. on the capital invested, including therein all arrears of simple interest incurred up to that date, and also the capitalised value of the land revenue and of leave allowances and pensions.

Papers, No. 2, footnote on page 76. Strachey, 132–5. Conway Gordon, 3541.

"5. Of the sum of 2,500,000 *l.* thus authorised to be annually borrowed, the Government of India have ordinarily applied 1,800,000 *l.* to railways, and 700,000 *l.* to irrigation. In addition, however, to this sum of 1,800,000 *l.*, they have, with the sanction of the Secretary of State, spent the sums needed for the improvement of the East Indian Railway (which in 1879 had not become a State line), and also such amounts as could be supplied from the ordinary revenue of the year; while further outlay has been incurred by companies working with a Government guarantee of interest.

Papers, No. 16, page 6.

"6. The following statement shows the capital expenditure on the construction of railways, in the five years before 1879, and in the five years subsequently:—

RAILWAYS.	1874–75 to 1878–79.					1879–80 to 1883–84.				
	1874–75.	1875–76.	1876–77.	1877–78.	1878–79.	1879–80.	1880–81.	1881–82.	1882–83.	Revised Estimate, 1883–84.
	£.	£.	£.	£.	£.	£.	£.	£.	£.	£.
State	3,035,000	3,227,000	2,893,000	4,056,000	3,549,000	3,152,000	2,631,000	1,883,000	2,115,000	2,695,000
Frontier	–	–	–	–	–	1,334,000	2,293,000	225,000	260,000	—22,000
Protective	–	–	–	–	–	–	–	614,000	—129,000	626,000
East Indian	–	–	–	–	–	154,000	418,000	455,000	148,000	238,000
TOTAL direct Outlay	3,035,000	3,227,000	2,893,000	4,056,000	3,549,000	4,640,000	5,342,000	3,177,000	2,394,000	3,537,000
Guaranteed Companies	1,088,000	951,000	716,000	1,324,000	1,012,000	350,000	435,000	673,000	411,000	1,064,000
Subsidized Companies	–	–	–	–	–	–	–	170,000	338,000	348,000
Southern Mahratta Companies	–	–	–	–	–	–	–	–	711,000	636,000
TOTAL by Companies	1,088,000	951,000	716,000	1,324,000	1,012,000	350,000	435,000	843,000	1,460,000	2,048,000
GRAND TOTAL	4,123,000	4,178,000	3,609,000	5,380,000	4,561,000	4,990,000	5,777,000	4,020,000	3,854,000	5,585,000
Annual Average	£. 4,370,000.					£. 4,845,000.				

"From these figures it appears that, although the direct outlay on State railways and irrigation works from borrowed money has been limited to an annual average of 2,500,000 *l.* (1,800,000 *l.* being usually devoted to railways), there has been so much spent from the ordinary revenues or by companies working with Government assistance, that the annual average outlay in the last five years on railways alone exceeds that in the former period by 475,000 *l.*

Page 170 of Report of Famine Commission.

"7. In 1880 the Famine Commission made its Report to the Government of India. From a general calculation of the carrying power of railways in relation to the food supply, and to the greatest population likely ever to require to be fed during a season of famine, they reckoned that, for the million square miles of British India, the length of railway needed to protect the country, on the assumption that each line would provide for a tract 25 miles in width on either side, was 20,000 miles, of which nearly half had been already completed, or was under construction. Taking the cost at 6,000 *l.* a mile, the

the total outlay might be estimated at 60,000,000 *l.* for the remaining 10,000 miles, which sum, spread over 25 years, would amount to 2,500,000 *l.* a year, or about the amount that had for some few years past, according to their statement, been appropriated yearly to the extension of railways. Such an estimate was, however, in their opinion, greatly in excess of the probable needs of the more accessible tracts for which protection was pressingly required; and, excluding mountainous and desert districts and those naturally placed beyond danger, the Commission considered it probable that less than one half of that length, or 5,000 miles, in addition to the then existing lines (9,000 miles), would go far to remove all future risk of serious difficulty in supplying food to any part of any district in the whole country. The Commission were strongly of opinion that the policy of investing borrowed capital in railway extension should not be abandoned, and expressed their hope that nothing might stand in the way of a very early return to the former scale of grants for that paramount object, or to the adoption of some other equivalent form of aid.

"8. Mr. Danvers, the Secretary of the Public Works Department in the India Office, stated to your Committee that the length of railway open on the 31st of March this year was 10,832 miles, and that at the same date 3,617 miles were under construction, making a total length of nearly 15,000 miles which will be open in a very few years, apart from any other lines not yet commenced. So far, therefore, as the mere mileage is concerned, the recommendations of the Famine Commission are in course of immediate fulfilment. Danvers, 6866. 6971–81.

"9. It is, however, obviously necessary to consider, not merely with what length of railway India is already supplied, but what tracts of country remain unsupplied and exposed to the risks of famine. The Government of India in 1881 were so deeply impressed with the Report of the Famine Commission, that they considered it necessary forthwith to construct 3,000 miles of lines needed for protective purposes; and the scheme which they propose has been developed in three despatches written in 1883 and 1884, of which the following is a summary. Papers, No. 2, p. 7. Papers, No. 2.

"10. The proposed policy of the Government of India is to leave to private enterprise those lines which are commercially most attractive, and to construct, either directly by the State, or indirectly through the agency of companies, those which are, relatively speaking, unprofitable, but which they consider to be indispensable for protection against famine, or for other urgent purposes. With this object the Government of India have sketched a programme of the railways with which, in their opinion, it is desirable that India should sooner or later be provided. Page 34.

"11. These lines have been arranged in two schedules, A. and B.

"Schedule B. contains 34 lines, with a total length of 3,432¾ miles, of which the cost is estimated at 24,288,000 *l.*; these railways are all considered likely to be remunerative, and they are left to be taken up by private companies, without any aid from the Government except the grant of land free of cost. The immediate construction of these lines is not contemplated by the Government of India. We may, therefore, for the purposes of this inquiry dismiss all consideration of them. Page 86. Pages 35, 36.

"Schedule A. contains 30 projects, many of which are already under construction, the length requiring still to be made being 3,896 miles, and the cost being estimated at 28,262,450 *l.*, or, after allowing for the repayment of 630,000 *l.* by a Company, 27,832,450 *l.* These railways are all said to be indispensable for protective or other urgent purposes; it is intended that 13,444,000 *l.* shall be borrowed by the Government, 2,100,000 *l.* by construction and working companies, that is, companies receiving a low permanent guarantee of interest to make a line on behalf of the State, and 12,040,000 *l.* by companies working on their own account, with a guarantee of advances of interest for a limited term of years, repayable from surplus profits. The remaining 48,450 *l.* will be supplied from the provincial balances. Page 82. Page 84. Page 76, foot-note.

"12. In order to provide the means of defraying the charge for interest on the sum to be raised by the limited guarantee companies, the Government of India propose to appropriate to this purpose an average annual sum of 200,000 *l.* from the famine grant; in other words, instead of expending this amount year by year in the construction of railways, they would capitalise it together with the anticipated receipts from these railways, and spend the money so raised upon some of the railways in Schedule A. The whole of the outlay for the lines in Schedule A. is to be spent in a period at first fixed at five, but now modified into 'a few months more or less than six years.' Pages 35. 77.

"13. It will be evident that this proposal implies a complete inversion of the regulations hitherto in force, as indeed was stated by the Government of India, for loan funds would be applied to unproductive works, the famine grant would in part be used as interest on borrowed capital, and the expenditure of borrowed money on productive lines would be discontinued. Pages 25–6.

"14. The arguments of the Government of India in favour of their scheme, were explained to your Committee clearly and in great detail, by the official witnesses sent from India for the purpose. Major Conway-Gordon, Deputy Accountant-General and Under Secretary to the Government of India in the Public Works Department, showed Conway-Gordon, 3496, &c.

Westland, 4776, &c.
Hunter, 7138, &c.

the details of the proposals in all their administrative bearings; Mr. Westland, the Comptroller and Auditor General, stated what would be their probable effect on the finances; and Mr. Hunter, the Director General of Statistics, set before the Committee the economical aspects of the question.

Papers, 2, p. 100, and Papers, 6.
Strachey, 24–5.
Lord, 2512–3.
Hardie, 2810. 2817.
Conway-Gordon, 3560.

"15. Besides the official evidence, your Committee have considered the memorials of the Bengal, Madras, and Bombay Chambers of Commerce, and the East India Association, and they have examined a representative of the Liverpool Chamber of Commerce, and many other witnesses acquainted with the trade of India.

Ashburner, 6366.
Henderson, 712.
Coke, 1255–9. 1427–8.

"16. Your Committee will now proceed to sum up the grounds on which the various witnesses have urged the more rapid construction of railways.

Papers, No. 2.
Strachey, 371.
Caird, 377, 697.
Trevor, 1795.
Hardie, 2941.
Conway-Gordon, 4279.
Westland, 4746. 4879. 4964.
Hunter, 7138–9. 7381.

"(1.) The first ground is the necessity for protecting the country against famine. General Strachey and Sir James Caird stated that there was no other means of saving life in time of famine so efficient and economical as railways; and Mr. Hunter showed that the plans of the Government rest, not merely on the importance of facilitating the conveyance of food into districts likely to be affected with scarcity, but also on the advantage of providing for its ready transmission from the tracts where grain is abundant. As he expressed it, 'What the Government of India desires, is continuous broad-gauge communications from the centres of food production to the centres of population and to the famine tracts.' It is with this object mainly that they earnestly press for the construction of the three principal lines which they desire to entrust to the 'Limited Guarantee' Companies, namely: the continuation of the Nagpore-Chhattisgurh Line eastward to Barakur, on the East Indian Railway; a line from Bilaspur on the Nagpore Line, north-westward, to Kutni, on the East Indian (Jubbulpore Branch), and on to Saugor and Etawah; and one from Bhopal northwards, by Etawah, to Jhansi, and thence northwards to Gwalior, and eastwards to Cawnpore. The wants of Bundelcund, which is especially liable to famine, would be more immediately provided for by a line from Manickpur, on the Jubbulpore and Allahabad Line, westwards to Jhansi, which is among those of which the construction is to be undertaken directly by the State.

Conway-Gordon, 4350. 4417.
Hunter, 7139-50.
Hunter, 7151.
Chapman, 870.
Conway-Gordon, 4350. 4425.
Conway-Gordon. 4100.
Westland, 4921.
Hunter, 7140–3. 7152.

Lord, 2462.
Rendel, 5977.
Ashburner, 6462.
Hunter, 7188.

"(2.) Next may be placed the development of the internal trade of India, with the results of reducing the price of salt and other necessary articles of consumption, of increasing the price of grain which had previously found no market, and of equalising prices throughout a large extent of country.

Strachey, 276.
Caird, 413. 539-40.
Coke, 1259–66. 1418–21.
Lord, 2461–2. 2494. 2503. 2533.
Graham, 2728.
Hardie, 2859. 2871.
Conway-Gordon, 5452.
Hunter, 7188.

"(3.) Another point on which stress was laid was the rapid development of the expot trade in recent years, of which the following figures, extracted from the Tables of Exports, afford proof:—

Statistical Abstract relating to India, 17th Number, page 219.

Years ending 31st March	Average Annual Value of Exports.
	£.
1864 to 1868	57,770,000
1869 to 1873	54,990,000
1874 to 1878	57,140,000
1879 to 1883	69,980,000

Statistical Abstract relating to India, 17th Number, pages 100–3.
Coke, 1260. 1522.
Trade Tables of India, March 1884.

In regard to the export of wheat in particular, the development of the trade is even more remarkable, the quantity having risen from an average of 4,544,000 cwts., valued at 1,951,000 *l.*, in the five years from 1876-77 to 1880-81, to 19,901,000 cwts., valued at 8,870,000 *l.*, in 1881-82, an amount which has been exceeded in the year just closed.

Caird, 643. 672.
Coke, 1266, 1319–20.
Glover, 1890. 1945. 1962–5. 2057. 2071–5. 2247–9.
Bythell, 2614; Conway-Gordon, 5527–9. 5578; Ashburner, 6419. 6427. 6521–3; Hunter, 7162. 7170.

"(4.) The stimulus of the high price realised by their produce induces the people, not merely to substitute wheat for less remunerative crops, but also to improve their crops and to extend the area of cultivation, and, as the railways tap fresh districts, more sources of supply are found.

Strachey, 353.
Bythell, 2614.
Birkmyre, 3446–8.
Ashburner, 6343. 6405–14.
Danvers, 6887. 7021–2.
Hunter, 7144. 7217.
Strachey, 355.

"(5.) To a certain extent the land revenue of the Government is thereby increased; but this can only take place very gradually as the assessments of the districts expire, and the enhancement of the Government revenue is but a small share of the improved income of the cultivator. General Strachey estimated the saving to the people of India, owing to the construction of railways, at 30 to 40 millions.

"(6.) In

"(6.) In certain districts the construction of railways would open up valuable coal-fields; and possibly they would lead to the profitable working of iron mines, though on this point the evidence was slight. The line from Bilaspur to Etawah has been specially mentioned as being likely to have a profitable trade in minerals.

Caird, 567-8. 619. Glover, 1899. 2133-4. Dickens, 3162. Crawford, 3687. 3893. Hunter, 7151. 7236-9 7283.

"(7.) Some of the witnesses testified to the improvement in the economic and material condition of the people caused by railways, through the rise in wages, and the spread of manufacturing industry among a people of whom the great bulk gain their living entirely from agriculture. In sparsely populated countries the railways are said to have been of much use, by facilitating immigration from overcrowded districts.

Caird, 376. 381. 431-4. 692. Chapman, 802-5. 860-1. 876. 903-5. Strachey, 1187. Glover, 1913-9. 1943. 1949-54. 1998-2001. 2251. Clarke, 2271-3. Wood, 2292; Hardie, 2899-2902; Birkmyre, 3387. 3393; Danvers, 6887. 7016-23; Hunter, 7159-61. 7216. 7307. 7423.

"(8.) The improvement which has taken place in the credit of the Government of India in the London Money Market would enable it now to borrow the requisite capital at a much cheaper rate than was formerly the case.

Caird, 380. 436. 555. Birkmyre, 3416.

"(9.) The possibility of accelerating the construction of railways by the Government availing itself of the agency of companies was pointed out.

Papers, No. 2. Papers, No. 6, page 2. Strachey, 21-31. 55. 374. 1139; Chapman, 741-3. 1023; Coke, 1281-4; Dickens, 3058-60; Conway-Gordon, 4293-8. 4303. 4486. 4501; Ashburner, 6364; Danvers, 6875-6.

"(10.) Finally, it has been represented that slow construction is costly, and that when once a railway has begun, the truest economy consists in speedily bringing it into operation.

Graham, 2740. Birkmyre, 3482-4.

"17. On the other hand, your Committee deem it necessary to specify various reasons assigned by some of the witnesses, which seem to point to caution in incurring a great expenditure in the rapid development of railways.

"(1.) From a Despatch which has been recently addressed by the Secretary of State to the Government of India, it appears that up to the present time the charge imposed on the revenues, year by year, in consequence of the railway policy, has varied from a maximum of nearly 236 lakhs of rupees (in 1878-79) to a minimum of 20½ lakhs in 1881-82, and that the aggregate charge up to the end of the current year is 41 crores of rupees, or (in the conventional exchange of 2 *s.* to the rupee) 41 millions sterling, excluding interest on the sums so laid out which would amount to about 30 crores in addition. In considering this argument, it is necessary to bear in mind that this payment is not a loss, but is the price at which India has purchased the great advantages she derives from a network of some 10 or 11 thousand miles of railway traversing the country in all directions, and enabling her people to move their produce and goods with a facility which was unknown before the railways were made. It must also be observed that the annual burden has been very much diminished in recent years; that to a great extent it is the result of the guarantees given in former years on terms which would not now be granted; and that many of the lines are paying excellent dividends, even on the heavy capital outlay incurred on them.

Conway-Gordon, 4396. Waterfield, 6110-2.

"(2.) Great objection is felt by some to any measure that shall divert from its primary object any portion of the famine insurance provision. On this point your Committee have referred to the evidence given before the Committee of 1879 by Sir Thomas Seccombe, lately Assistant Under Secretary of State for India, whose long experience as Financial Secretary at the India Office renders his advice on such a subject peculiarly valuable.

Seccombe, 467 (of 1879).

"(3.) So recently as 1879, a large reduction of the engineer establishment in India was effected; and any measure involving a sudden or considerable increase of the establishment, with the consequent pensions, is greatly to be deprecated.

Coke, 1283. 1406. 1425-6. Graham, 2775. Dickens, 3129-31. 3292.

"(4.) The calculations made by Mr. Westland are very moderate, and appear to demonstrate that, if no emergency arise, the propositions of the Government of India will not result in an increase of taxation. The surplus, however, which he shows is not large, and is liable to be swept away by any unexpected demand, in consequence of war or famine, or of any measure that may involve a large expenditure, such as the determination to construct the railway to Quetta.

Westland, 4776-81. 5266-8.

"(5.) Many witnesses take exception to the neglect by the Governmedt of lines passing through populous districts, on the ground that they are more liable to famine owing to the density of their population, and that the financial results of the railways will be unfavourably affected if the productive lines are excluded.

Caird, 3848-. 417. 426. 503. 571. 578. 584. 669-70. Bullen Smith, 2393. Graham, 2733-4. Dickens, 3048. 3168-9. Conway-Gordon, 3559. 3576. 4232-4. 4305. 4469.

"(6.) The scheme of the Government of India is largely dependent on their belief that certain lines, to which they attach the greatest importance, will be taken up by companies working with a guarantee of interest limited to a comparatively short period, or without any guarantee. Considerable doubt, however, is thrown by the evidence, on the prospect of such companies being willing to undertake the desired task; and Mr. Hunter admitted that, although he had ascertained that one set of promoters was still desirous of

Ashburner, 6358. 6534-7. Strachey, 23. 1081. 1139-41. Caird, 390. 558-9. 702. Chapman, 787. 820. 914-21. 949. 979. Bullen Smith,

2308-10. Hardie, 2823-4. 2831-3. Dickens, 3074. 3096-7. 3238. 3258-60. Conway-Gordon, 4119. 4308. 5553. 5590-6; Westland, 4849-50; Ashburner, 6360-2; Robertson, 6710-1; Danvers, 6877-9. 7089; Hunter, 7317-24. 7382-3. 7388.

constructing the line for which they had been in treaty, the proposal which they had last made involved a permanent guarantee. Apart from this also, objection is felt to capitalising the sum annually set aside for railways from the famine grant.

"18. Your Committde consider that the evidence in favour of a "more rapid extension of railway communication" in that country is conclusive; in fact, only two or three witnesses expressed any doubt on the subject; and, looking to the recent great expansion of Indian trade and commerce, the importance of developing the material resources of many districts remote from the present lines, the imperative necessity of having better means of distribution in case of scarcity, it is of the utmost moment that sustained and vigorous efforts be made to extend railroads in varions directions throughout the Indian Empire.

Sir J. Caird, 380. Mr. Glover, 2191. 2194.

"19. There are three other considerations which weigh with your Committee in recommending a more rapid extension of railways in India at the present time.

1st. Money and materials are so cheap that they can be made at a very much less cost than formerly; in fact, there are those who think that there is scarcely a railway in India which would not have paid from the beginning if it had been built at the prices of the present day.

Gen. Strachey 308. 339. Gen. Dickens, 3233 to 3235. Mr. Birkmyre, 3416.

2nd. The great experience which has been obtained by engineers now enables them to construct railways much more cheaply than formerly, apart from the cost of material.

Gen. Dickens, 3048. Mr. Graham, 2727. 2729.

3rd. The financial position of India is much better than it was when the last Select Committee reported in 1879.

Major Gordon, 3560. Gen. Strachey, 24–5. Mr. Hardie, 2817. Major Gordon, 3560. Mr. Ashburner, 6366.

20. Your Committee are glad to observe the great interest that commercial bodies, both in this country and in India, have manifested in the question; and, whilst agreeing with Major Gordon that "the proposals of the Bengal Chamber of Commerce are extremely moderate," are of opinion that those of the Bombay Chamber of Commerce are of too sweeping a nature, and could not be carried out with "due regard to the financial condition of India."

Mr. Chapman, 741. Gen. Strachey 1104 to 1107. Mr. Coke, 1281 to 1284. Gen. Trevor, 1665. Gen. Dickens, 3058 to 3060. Mr. Birkmyre, 3355. Major Gordon, 4293 to 4303. 4371. Mr. Westland, 4928. Mr. Danvers, 6875.

21. Your Committee have had set before them at great length, in much detail and by many witnesses, the comparative advantages and disadvantages of the lines being made by the State and by means of guaranteed companies, and they have arrived at the conclusion, which, indeed, is that of the best authorities who appeared before them, that, all things considered, the competition between the two is desirable; that, in the words of the memorial of the Bengal Chamber of Commerce, "for many years to come the field will be large enough for both agencies to work in side by side." State operations are necessarily limited to the strength of the Public Works Department, the permanent staff of which it is not desirable to increase, for reasons given before the Select Committee of 1878–79, which reasons your Committee fully endorse. Construction and working by companies does not necessarily involve any increase of the staff of the Public Works Department, and it relieves the Government of India of a somewhat onerous charge; besides which, the emulation between *quasi*-private enterprise and Government working, tends, in the opinion of many of the witnesses, to promote economical construction and management.

Mr. Chapman, 787. Major Gordon, 5590 to 5594. Mr. Danvers, 6874. 7089.

22. Your Committee think that the time may come, perhaps sooner than many people believe, when new railways will be made in India by unassisted private enterprise, and that this should be kept in view in all contracts about to be made by the State, so that nothing should be done to prejudice a change of system which improved financial results of Indian railways, and greater consequent confidence on the part of the investing public might justify. Your Committee are confirmed in this belief by an examination of the last year's railway accounts, which show clearly that, irrespective of loss by exchange, which is a matter really outside the consideration of loss or profit on any particular line, the return on the whole railway investment of India was 5·68 per cent.

Mr. Coke, 1452. Gen. Trevor, 1635. Mr. Glover, 2128 to 2131. Mr. Lord, 2469-2470; Major Gordon, 4346; Mr. Danvers, 6895–6–7.

23. Your Committee think that the railroad from Bhopal to Gwalior and Cawnpore should be made without delay, as there is remarkable concurrence of testimony on the part of witnesses, official, professional, and commercial, placing it in the front rank as a necessity. It should be on the broad gauge.

Mr. Bullen Smith, 2354. Mr. Lord, 2463. Mr. Bythell, 2613. Major Gordon, 4346. 4375. Mr. Westland, 4853. Hon. W. W. Hunter, 7139, and *passim*.

24. The only other line which the Committee think it necessary to specify, is that for opening up the country between Calcutta and Nagpore, which a glance at the map will show is worse provided with railroads than any other part of India. Taken in connection with the new line proposed between Bundelcund and Chhattisgarh, to which the Government of India attach the highest importance as absolutely necessary in case of famine, this line is likely to prove a great distributing medium, will tap coal fields of considerable extent, and satisfy the demand for a more direct through line from Calcutta to Bombay. Nearly all the witnesses were of opinion that it should be made on the broad gauge without unnecessary delay.

25. With

" 25. With regard to the question of gauge, your Committee are of opinion that all the leading trunk lines on the great plains of Central India and in the North West Provinces, with their principal feeders, should be on the broad gauge, the metre gauge being, as a rule, confined to comparatively isolated districts, such as the Mahratta country, Kattiwar, and portions of the Lower Province of Bengal towards Nepaul and Assam, self-contained areas in which the traffic for many years to come is scarcely likely to justify a broad-gauge line. The witnesses, with singular unanimity, General Strachey and Mr. Rendel being the only exceptions, attached great importance to the avoidance of breaks of gauge unless in cases where they were absolutely necessary.

Major Gordon, 4341-2. 4694.

" 26. Your Committee concur with the Committee which reported in 1879 on East India (Public Works), that the principle of borrowing in India is sound, and they also think that every encouragement should be given to the natives to invest money in railroads, but it has been clearly proved in evidence that the amount that could be thus obtained is much too small to provide for any considerable extension of the railway system, and they think that, in present circumstances, the Government would be justified in borrowing in the cheapest market, which, unquestionably, is London. The great bulk of the evidence is to this effect.

Mr. Bullen Smith, 2317 to 2324. Mr. Lord, 2484 to 2488. Mr. Bythell, 2711. Mr. Graham, 2748. Mr. Hardie, 3005. Mr. Birkmyre, 3355. Major Gordon, 4256. Mr. Westland, 4805-6. Mr. Danvers, 6874. 7028-9.

" 27. Many witnesses, who had carefully studied the subject, pointed out to your Committee two considerations which go far to counterbalance and compensate for the loss in exchange which may result from borrowing in England.

Mr. Coke, 1291. Mr. Lord, 2494, 2499. Mr. Hardie, 2820-1. Major Gordon, 4312. 4396. Mr. Westland, 5091. Hon. W. W. Hunter, 7184.

" 1st. The increase in trade consequent upon making railways with money borrowed in the cheapest market; and, 2ndly, that while a low exchange causes a certain small loss to the natives, by making clothing, &c., dearer, their gain is immeasurably greater, inasmuch as they obtain a higher price for their produce.

" 28. Several of the official witnesses, as well as those representing the mercantile communities, expressed an opinion that simplicity of terms was of great importance in inducing companies to make new lines; that all possible publicity should be given both in India and in England to the projects which Government wish to be undertaken by companies; that negotiations should be conducted as expeditiously as possible, so as to avoid all unnecessary delays in arranging contracts; and that the accounts of the financial results of railways in India should be kept in such a manner, and so published, as to be easily available to and understood by the investing public. The general tenour of the evidence was that improvements might be made in all these respects.

" 29. The Committee recommend that no chief executive engineer should be appointed by Government to superintend the construction or working of railways who had not had previous railway experience.

Mr. Glover 2235 to 2240. Gen. Dickens, 3050-1.

" 30. There was a remarkable concurrence of testimony in favour of Government retaining in their own hands a power of fixing the maximum of fares and rates, and both official and mercantile witnesses suggested that a commission might be appointed to exercise this control. Your Committee are not prepared to make any absolute recommendation in regard to this matter; but former arrangements have not been at all satisfactory, and more stringent rules ought to be made in future in the interests of the public.

Mr. Lord, 2568. Mr. Bythell, 2631. Mr. Graham, 2742. Mr. Hardie, 2829. Gen. Dickens, 3250. Mr. Birkmyre, 3361. Mr. Danvers, 6999.

" 31. The terms on which companies have lately undertaken railways in India are as follows, in all of which the companies have received land free of cost:—

Waterfield, 6071-3. 6078-84.

" (*a.*) The plan known as the " Bengal and North Western " terms, under which the company makes the line upon its own responsibility, and receives the whole of the profits of the undertaking, the line reverting to the State at the end of 99 years.

" The terms of purchase by the Government under this plan are that, at the end of 30 or 50 years, the Government may buy the company's interest at the rate of 25 years' purchase of the average annual net earnings of the line for the previous five years.

" (*b.*) The plan known as the 'Bengal' terms, under which the Company receives a guarantee of 4 per cent. on paid up capital during construction, which advance is to be repaid with simple interest by the Company to the Government, by a contribution of half its net earnings over 5 per cent.

" The terms of purchase are, that at the end of 30 or 50 years the Government may buy the undertaking at the rate of 125 *l.* for each 100 *l.* of stock.

" (*c.*) The 'Southern Mahratta' terms, under which the Company practically acts as agent for the Government, receiving a guarantee of 3½ per cent. plus one-fourth of the net receipts during the currency of the agency, which is terminable after the 25th year, or at subsequent intervals of 10 years, at the option of the Government, while the Company by giving a year's notice may demand the return of their capital.

" This guarantee is payable in rupees; such a number of rupees being guaranteed

as will insure to the holder of stock a sterling payment in London of 3½ per cent. (plus at least a half per cent. until 1889), after which the guarantee is the equivalent of 3½ per cent. sterling in London, plus one-fourth of the net receipts, which are payable in India.

"32. In commenting upon these plans, your Committee report that each may be varied as applied in varying circumstances.

"(*a.*) When a line may be expected to give a considerable immediate return, the Bengal North-Western terms are reasonable; the possible terms of re-purchase by the Government giving a hope of considerable ultimate profit.

"(*b.*) When the prospect is not so well assured, the Bengal Central terms offer a greater inducement to the investor, by guaranteeing interest on capital during construction; and they hold out the hope that Government may re-purchase the line at a premium of 25 per cent.

"(*c.*) The Southern Mahratta terms offer a permanent security to investors, which is equal to the security of the Government of India, with the addition of a quarter of the net receipts of the line. These terms appear to your Committee to be especially suited to those lines about which there is any doubt as to their earning a fair dividend.

"Your Committee, however, think that it is unnecessary to complicate these terms by stating that the *equivalent* in rupees of a 3½ per cent. sterling guarantee shall be given; and suggest that the guarantee in sterling should be absolute.

"They also suggest that, in future contracts, the option of demanding the repayment of the capital of the company by one year's notice should not be given.

"33. Your Committee are not disposed to lay down specifically any terms by which the Government of India and the Secretary of State should be guided in framing contracts with companies; that must be left to their discretion, and they have no doubt that they will do the best they can for the public interest. We have already described the arrangements made with the Bengal and North Western, the Bengal Central, and the Southern Mahratta Companies, and many witnesses thought these contracts judicious and fair both to the shareholders and to the public. It would be undesirable, in fact impossible, to lay down a hard-and-fast rule on this subject which would apply in all circumstances, at all times, and in every part of the country.

Mr. Waterfield, 6072 to 6074. 6078 to 6080.

Gen. Strachey, 8. Sir James Caird, 386. Major Gordon, 5367, 5600. 5603. Hon. W. W. Hunter, 7139.

"34. Your Committee are of opinion that the broad distinction which has been hitherto made between protective and productive lines is untenable. General Strachey and Sir James Caird first drew the attention of the Committee to this point, and Major Gordon, the first witness examined on behalf of the Government of India, corroborated their views, as did also Dr. Hunter. They recommend, therefore, that the arbitrary distinction hitherto in force be abolished; that railways, needed for protection from famine or for distribution of produce, be made as required; and that such portion of the famine grant, such portion of surplus revenue, and such portion of the money borrowed by the State, as the Government of India and the Secretary of State in Council shall think fit, be expended upon the construction of railways, whether they be technically considered protective or productive.

Major Gordon, 3495 to 3527, 5609 to 5611, and *passim*. Mr. Westland, *passim*.

"35. Your Committee are of opinion that the amount proposed to be spent on railways by the Government of India during the next five years is not excessive, and that the whole scheme as explained, and to some extend modified and amended by its official witnesses, Major Gordon, Mr. Westland, and Dr. Hunter is, to use the words of Mr. Danvers, the Government Director of the guaranteed railway companies, and Secretary of the Public Works Department at the India Office, 'upon the whole, reasonable;' and they agree with him when he says, 'It seems to me, that, looking to the expenditure of past years, and to present prospects, there is a very fair ground for expecting that the extension of the railway system of India on the scale proposed will have most beneficial effects, and could be carried out without inconvenient financial pressure.'

Major Gordon, 3525-6. 5610.

"36. Major Gordon stated that these proposals would involve, under the most unfavourable circumstances, and taking the most gloomy view of the case, an additional expenditure in the Indian Budget of not more than 200,000 *l.* a year.

Major Gordon, 3626. 3557. 4277, 4288. 4695 to 4700. 5523. 5609. Mr. Westland, 4970. Mr. Waterfield, 6280–1. Mr. Danvers, 6872. 7071.

"37. Your Committee, however, are prepared to sanction these proposals only on the distinct understanding that under no circumstances is there to be any additional taxation of the people of India for the extension of railways. This was clearly understood and laid down by the official witnesses both from Calcutta and the India Office.

Paper, No. 2 handed in, "Correspondence regarding Indian Railway Policy, 1881, 1884.

"38. Your Committee do not concur with the Government of India in their proposal completely to reverse the policy which has hitherto been acted upon in regard to the nature of the lines to be made by the State, by substituting for it the policy expressed in the following sentence: 'We consider that instead of continuing State agency for the construction '

construction of productive lines of railways, we should for the future, as far as possible, exclude the action of the State altogether from this field of enterprise, and that, as a general rule, the Government should only undertake the construction of railways which from their unprofitable character in a commercial sense or other causes, cannot be made by private agencies.' The evidence has been wholly against this change, and indeed it was not supported even by the witnesses sent by the Government of India. Major Conway Gordon emphatically expresed his dissent, and in the summing up of his evidence proposed to substitute certain lines in Schedule B. for certain other lines now appearing in Schedule A. Your Committee express general approval of the policy recommended by Major Gordon, and without tying the hands of the Government of India, so as to prevent them in any case making lines which they consider absolutely necessary for protection against famine, but which are not likely to prove remunerative, they think it more important, 'having due regard to the finances of India,' and on general grounds, that the bulk of the lines made by the State should be at least self-supporting.

Sir J. Caird, 388. Mr. Bullen Smith, 2391. Mr. Waterfield, 6085. Major Gordon, 4305. Major Gordon, 5597. to 5608.

"39. With regard to the recommendation contained in sub-head *d.*, paragraph 10, of the Despatch of 29th January 1884, *i.e.*, that interest on the sum of 11,250,000 *l.** to be spent on productive and protective railways, should be provided by capitalising 200,000 *l.* of the Famine Grant, your Committee are of opinion that any such application of any portion of the Famine Grant would be entirely contrary to the purposes for which that fund was created, and they cannot concur in this suggestion.

* Despatch of 29 Jan. 1884, para. 11, Sub-section e (2). Papers, No. 2, pages 76 and 77.

"40. The Government of India proposed, in the event of their scheme being sanctioned in its entirety, to be allowed to borrow 350,000 *l.* per annum more for railways than is permitted at present; but as your Committee in an important particular, do not see their way to sanction the change of policy just explained, they doubt if this increase in the liberty to borrow would be sufficient, and are prepared, in view of all the circumstances of the case, looking to possible contingencies, to recommend that the sum fixed by the Committee of 1879, of 2,500,000 *l.*, should be raised to 3,500,000 *l.*, a sum which they think is justified by the improved financial condition of India, although of course it may not be necessary to borrow to the full extent of the limit."

Page 76 of Paper No. 2. Major Gordon 3540. Gen. Strachey, 128. Hon. W. W. Hunter, 7158.

Question, "That the Draft Report proposed by the Chairman be now read a second time, paragraph by paragraph,"—put, and *agreed to.*

Paragraphs 1-2, amended, and *agreed to.*

Paragraph 3, *agreed to.*

Paragraph 4 amended, and *agreed to.*

Paragraph 5, *agreed to.*

Paragraph 6, amended, and *agreed to.*

Amendment proposed, That the following new paragraph be inserted in the proposed Report: "Having regard to the certain recurrence of periodical famines, and being of opinion that the cost of famine relief should not be added to the permanent debt of the country, the Government of India established in 1878 an annual Famine Insurance Fund of 1,500,000 *l.* This sum was fixed upon the calculation that famine relief would cost in every 10 years 15,000,000 *l.*, and the additional taxation required to provide the Famine Insurance Fund was sanctioned by the Secretary of State in Council on the understanding that the revenue thus raised should be applied to the construction of works likely to avert famine, or to the reduction of debt contracted for famine expenditure. Proposals have more than once been made by the Government of India to hypothecate a portion of the annual Famine Insurance Fund to the payment of interest on money borrowed for the construction of railways. But the Secretary of State in Council has declined to sanction these proposals; and the Sub-Committee of 1878-79 were also of opinion that the appropriation of a part of the Famine Fund for the payment of interest on loans raised to be expended on famine works, not fully productive, would be an entire invertion of the object for which the Fund was created"—(Mr. *Wodehouse*).—Question, That this paragraph be inserted in the proposed Report,—put, and *agreed to.*

Paragraphs 7–10, *agreed to.*

Paragraphs 11-14, amended, and *agreed to.*

Paragraph 15, amended.—Another Amendment proposed, to add at the end of the paragraph the words, "That while all these witnesses apparently advocated the more rapid construction of railways in India, none of them supported such extensive proposals as those put forward by the Chambers of Commerce of Bombay and Madras"—

(Mr. *Bolton*).—Question put, That those words be there added.—The Committee divided:

Ayes, 7.	Noes, 4.
Mr. Bolton.	Sir George Campbell.
Mr. Brodrick.	Mr. Carbutt.
Mr. Kynaston Cross.	Mr. William Fowler.
Mr. Jackson.	Mr. Slagg.
Mr Bernhard Samuelson.	
Mr. Edward Stanhope.	
Mr. Wodehouse.	

Paragraph, as amended, *agreed to.*

[Adjourned till Tuesday next, at Eleven o'clock.

Tuesday, 15th July 1884.

MEMBERS PRESENT:

Mr. BAXTER in the Chair.

Mr. Jackson.	Mr. William Henry Smith.
Mr. Dalrymple.	Mr. Kynaston Cross.
Mr. Brodrick.	Lord George Hamilton.
Mr. Edward Stanhope.	Mr. Carbutt.
Mr. Gorst.	Mr. Wodehouse.
Sir George Campbell.	Mr. William Fowler.
Mr. Bernhard Samuelson.	Mr. Slagg.

Paragraphs 16-18, amended, and *agreed to.*

Paragraphs 19-21, *disagreed to.*

Amendment proposed, That the following new paragraph be inserted in the proposed Report: "In considering the means by which a more rapid extension of railway communication may be accomplished, your Committee have given great attention to the merits of State operations, as compared with construction and working by the means of companies; and they are of opinion that it is desirable to employ both agencies. State operations are, according to the present practice, limited to the strength of the Public Works Department, the permanent staff of which it is not desirable to increase, for reasons given before the Select Committee of 1878-79, which reasons your Committee fully endorse. On the one hand, money can be raised more cheaply by the State; on the other, construction and working by companies does not necessarily involve any increase of the staff of the Public Works Department, and it relieves the Government of India of a somewhat onerous charge; besides which, the emulation between *quasi* private enterprise and Government working, tends to promote economical construction and management"—(Mr. *Kynaston Cross*).—Question, That this paragraph be inserted in the proposed Report,—put, and *agreed to.*

Paragraph 22, amended, and *agreed to.*

Paragraph 23. Question put, That this paragraph stand part of the Report.—The Committee divided:

Ayes, 4.	Noes, 7.
Mr. Carbutt.	Sir George Campbell.
Mr. William Fowler.	Mr. Kynaston Cross.
Mr. Bernhard Samuelson.	Lord George Hamilton.
Mr. William Henry Smith.	Mr. Jackson.
	Mr. Slagg.
	Mr. Edward Stanhope.
	Mr. Wodehouse.

Paragraph 24, *disagreed to.*

Paragraph 25, amended, and *agreed to.*

Paragraphs 26—27, *disagreed to.*

Amendment proposed, that the following new paragraph be inserted in the proposed Report:—"Your Committee have considered with great care the evidence placed before them as to the expediency of borrowing in India or England. They are strongly impressed with the reasons which weighed with the Committee of 1879, and with the Home

Home Government; and they are of opinion, that if the capital required could be *really raised from Indian sources*, the advantages of borrowing there, as compared with borrowing in England, would be very great. The growth too of the sterling debt in times of war or famine, and the difficulty of reducing that debt, even in prosperous years, has been clearly demonstrated, both in the evidence of Sir T. Seccombe before the Committee of 1879, and in Mr. Waterfield's evidence before the present Committee. Your Committee think also that, for political as well as for financial reasons, it is desirable that loans should, as far as possible, be raised in India; but they do not believe that rupee loans, *which are not really absorbed in India*, differ materially in their effect upon exchange from sterling loans, as, if held in Europe, the interest upon them will probably be remitted from India, and will come into the exchange market. They would, therefore, recommend, quoting the words of the Report of the Select Committee of 1879, that, when 'the difference between 'the rates of interest in India and in England is so considerable as to afford full compen-'sation for the great comparative disadvantages which inevitably attend borrowing in this 'country,' the Secretary of State in Council should not hesitate to borrow such moderate sums in this country as will enable the Government of India to complete such public works as shall have obtained his sanction"—(*Mr. Kynaston Cross*).—Question, That this paragraph be inserted in the proposed Report,—put, and *agreed to*.

Paragraph 28, amended, and *agreed to*.

Paragraph 29, *agreed to*.

Paragraph 30, amended.—Question put, That the paragraph, as amended, stand part of the Report.—The Committee divided:

Ayes, 11.	Noes, 3.
Mr. Brodrick.	Mr. Dalrymple.
Sir George Campbell.	Mr. Gorst.
Mr. Carbutt.	Mr. Jackson.
Mr. Kynaston Cross.	
Mr. William Fowler.	
Lord George Hamilton.	
Mr. Bernhard Samuelson.	
Mr. Slagg.	
Mr. William Henry Smith.	
Mr. Edward Stanhope.	
Mr. Wodehouse.	

Paragraphs 31—32, amended, and *agreed to*.

[Adjourned till Friday, at Twelve o'clock.

Friday, 18th July 1884.

MEMBERS PRESENT:

Mr. BAXTER in the Chair.

Mr. Dalrymple.	Mr. Kynaston Cross.
Mr. Edward Stanhope.	Lord George Hamilton.
Mr. Brodrick.	Mr. Carbutt.
Mr. Gorst.	Mr. William Fowler.
Sir George Campbell.	Mr. Slagg.
Mr. Bernhard Samuelson.	Mr. Bolton.
Mr. William Henry Smith.	Mr. Wodehouse.

Paragraphs 33-34, *disagreed to*.

Amendment proposed, That the following new paragraph be inserted in the proposed Report: "Your Committee are of opinion that the technical distinction which has been hitherto made between protective and productive lines cannot be maintained. They recommend, therefore, that railways, needed for protection from famine, or for the development of the country, be made as required, whether they be technically considered protective or productive"—(The *Chairman*.)—Amendment proposed to the proposed Amendment, to add at the end of the proposed new paragraph the following words:—"Your Committee do not approve of the entire removal of the existing check upon the construction of unremunerative railways as suggested by the Indian Government. The evidence, even that of their own witnesses has been against this revolution of policy. Your Committee are strongly of opinion that the bulk of the lines made should be self-supporting"—(Lord *G. Hamilton*).—Question, That those words be there added,—put, and *agreed to*.

Question, "That this paragraph, as amended, be inserted in the proposed Report,"—put, and *agreed to.*

Paragraphs 35-36, *disagreed to.*

Paragraph 37, *postponed.*

Paragraph 38, *disagreed to.*

Paragraph 39, amended.—Question put, "That this paragraph, as amended, stand part of the Report."— The Committee divided:

Ayes, 10.	Noes, 3.
Mr. Bolton.	Mr. Carbutt.
Sir George Campbell.	Mr. Dalrymple.
Mr. Kynaston Cross.	Mr. William Fowler.
Mr. Gorst.	
Lord George Hamilton.	
Mr. Bernhard Samuelson.	
Mr. Slagg.	
Mr. William Henry Smith.	
Mr. Edward Stanhope.	
Mr. Wodehouse.	

Paragraph 40, *disagreed to.*

Postponed paragraph 37, *disagreed to.*

Amendment proposed, That the following new paragraph be inserted in the proposed Report:—"Your Committee have endeavoured to arrive at some definite conclusion respecting the amount of money which may, on an average of years, and with safety to the finances, be annually borrowed for the construction of public works. But, from the limited field of taxation, and the fluctuations to which the finances of India are liable, they believe it to be impossible for them to form any precise forecast on which to base a definite recommendation on this subject. Whilst expressing an opinion that the present limit of borrowing, fixed by the Committee of 1878-79 at 2,500,000 *l.*, might safely be enlarged, they think that the full responsibility of deciding upon the amounts to be borrowed from year to year should rest with the Secretary of State in Council"—(Mr. *Kynaston Cross*).—Question, That this paragraph be inserted in the proposed Report,—put, and *agreed to.*

Amendment proposed, That the following new paragraph be inserted in the proposed Report:—"The attention of your Committee has been called to the mischief occasioned by constant fluctuations of policy in the construction of railways, and are therefore of opinion that a careful forecast having been made of future requirements for public works over a considerable term of years, such a scale of expenditure upon railways should be adopted as can reasonably be maintained"—(Mr. *Edward Stanhope*).—Question, That this paragraph be inserted in the proposed Report,—put, and *agreed to.*

Amendment proposed, That the following new paragraph be inserted in the proposed Report:—"Your Committee are impressed with the belief that most of the important through and trunk lines having been already made, there is great need of minor and branch local lines in the most productive and populous parts of the country, and that in this connection great advantage would result from the practical application of that principle of provincial and local responsibility on which the Famine Commission so much dwell, and which will be the best security that the lines undertaken are well considered and likely to pay. Your Committee are not in a position to suggest the precise rules by which this object may be effected, but they are strongly of opinion that it ought not to be lost sight of"—(Sir *George Campbell*).—Question, That this paragraph be inserted in the proposed Report,—put, and *negatived.*

Amendment proposed, That the following new paragraph be inserted in the proposed Report:—"In case it is not found possible to obtain capitalists to construct those lines which the Government find it difficult to undertake, with adequate security for cheapness of transit, it might be possible to obtain most of the advantages attributed to companies by selecting the best of the class of men who are usually directors of Indian railways to manage railway trusts, constituted on the same principle as road trusts in this country, or harbour trusts in India. The official directors of these trust lines might to some extent be remunerated by a commission on earnings so as to secure that incentive to progress and economy which is said to influence the directors of well-managed companies; while at the same time the Government would not lose the ultimate control of the lines, and the rates would be regulated so as to adjust the balance fairly between the interests of the revenue and those of the customers of the line, cheapness and quantity being preferred to monopoly rates"—(Sir *George Campbell*).—Question, That the paragraph be there inserted,—put, and *negatived.*

Amendment proposed, That the following new paragraph be inserted in the proposed Report:—"In making the recommendations contained in this Report, your Committee wish

wish most emphatically to endorse the declaration of the Government of India, made by Major Conway-Gordon and Mr. Westland, that the proposed extension of railways must not under any circumstances involve additional taxation"—(Mr. *Kynaston Cross*).—Amendment proposed to the proposed Amendment, to leave out in line 2 the word "must," in order to insert the word "shall"—(Mr. *Bernhard Samuelson*).—Question put, That the word "must" stand part of the Amendment.—The Committee divided:

Ayes, 3.	Noes, 8.
Mr. Kynaston Cross.	Mr. Bolton.
Mr. Slagg.	Sir George Campbell.
Mr. Edward Stanhope.	Mr. Carbutt.
	Mr. Dalrymple.
	Mr. William Fowler.
	Mr. Bernhard Samuelson.
	Mr. William Henry Smith.
	Mr. Wodehouse.

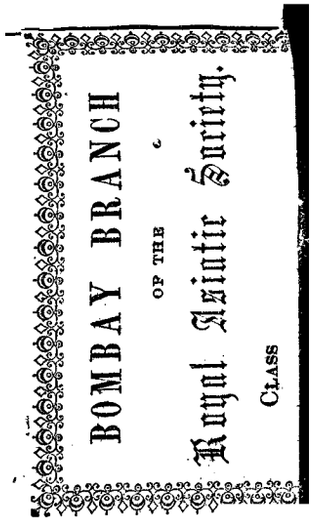
Question put, That the word "shall" be there inserted.—The Committee divided:

Ayes, 5.	Noes, 6.
Mr. Kynaston Cross.	Mr. Bolton.
Mr. Bernhard Samuelson.	Sir George Campbell.
Mr. Slagg.	Mr. Carbutt.
Mr. William Henry Smith.	Mr. Dalrymple.
Mr. Edward Stanhope.	Mr. William Fowler.
	Mr. Wodehouse.

An Amendment made.—Question, That this paragraph, as amended, be inserted in the proposed Report,—put, and *agreed to*.

Ordered, That this Report, as amended, be the Report of the Committee to the House.

Ordered, To Report; together with the Minutes of Evidence, and an Appendix.



REPORT

FROM THE

SELECT COMMITTEE

ON

EAST INDIA RAILWAY COMMUNICATION;

WITH THE

PROCEEDINGS OF THE COMMITTEE.

Ordered, by The House of Commons, *to be Printed,*
18 *July* 1884.

[*Price* 4 *d.*]

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REPORT.

THE SELECT COMMITTEE appointed to inquire into and report upon the Necessity for more Rapid Extension of RAILWAY COMMUNICATION in INDIA, and the Means by which this Object may be best accomplished, with special reference to the REPORT of the FAMINE COMMISSIONERS, and with due regard to the FINANCIAL CONDITION of INDIA;——HAVE agreed to the following REPORT:—

1. YOUR Committee have endeavoured to confine their inquiry within the limits of the reference made to them, and have devoted their attention mainly to the alleged "necessity for more rapid extension of railway communication in India, and the means by which this object may be best accomplished." They have examined two of the most eminent members of the Famine Commission; they have given attention to the minutes of the colleagues of these gentlemen contained in the Despatches, and they have considered the evidence placed before them as to the effect which the proposed schemes of the Government of India may have upon its financial position.

2. In the first instance your Committee would refer to the chief recommendations made by the Select Committee, which in 1878 and 1879 inquired into the expediency of constructing public works in India with money raised on loan, both as regards financial results and the prevention of famine. Those recommendations were, that the construction of new works with borrowed money should for the future be limited to those schemes which, upon the responsibility of the Government, are estimated to be productive, by yielding an annual income equal to the interest on the capital expended in their construction, including in such capital interest during construction; that the amount to be annually expended upon productive public works should mainly depend upon the financial condition of India, and should, therefore, for the present be limited to an amount of 2,500,000 *l.*; that 2,500,000 *l.* should be the maximum amount to be raised in any one year by the Indian Government (in addition to existing liabilities) for the prosecution of productive public works; that all expenditure on the construction of productive public works should be treated as borrowed money; and that, if in any year the financial condition of India should admit of an increase in this expenditure, by devoting to that purpose surplus revenue, care should be taken that the permanent establishments should not be so increased as to prove burdensome in years less generally prosperous. The Select Committee of 1878-79 were further of opinion that loans for public works in India should always be raised in India, unless the Secretary of State in Council should be satisfied that the difference between the rates of interest in England and India is so considerable as to afford full compensation for the disadvantages which inevitably attend borrowing in this country. Report, p. xxi.

3. While, therefore, that Committee contemplated the outlay of 2,500,000 *l.* a year, in addition to such sums as could be supplied from surplus revenue, and in addition also to the then existing liabilities connected with the guaranteed railway companies, they made no recommendation as to the policy to be pursued in the event of those companies proposing an extension of their systems, or of other companies being ready to undertake the construction of railways, either with or without a guarantee. In fact, the guarantee system was at that time treated as expiring.

App. No. 1, "Correspondence regarding Indian Railway Policy, 1881–4," pages 488–490.

4. In 1881 the Secretary of State, in communicating to the Government of India his desire that the policy to be pursued in regard to public works should continue to be in general concurrence with the views expressed by the Select Committee in 1879, laid down a rule that no railway should be considered to be a productive work, *i.e.*, one for which it was legitimate to borrow money, unless it could be fairly estimated that, within a maximum limit of five years from the date of the line being opened for traffic, it would pay 4 per cent. on the capital invested, including therein all arrears of simple interest incurred up to that date, and also the capitalised value of the land revenue and of leave allowances and pensions.

App. No. 1, footnote on page 562. Strachey, 132–5. Conway Gordon, 3541.

5. Of the sum of 2,500,000 *l.* thus authorised to be annually borrowed, the Government of India have ordinarily applied 1,800,000 *l.* to railways, and 700,000 *l.* to irrigation. In addition, however, to this sum of 1,800,000 *l.*, they have, with the sanction of the Secretary of State, spent the sums needed for the improvement of the East Indian Railway (which in 1879 had not become a State line), and also such amounts as could be supplied from the ordinary revenue of the year; while further outlay has been incurred by companies working with a Government guarantee of interest.

App. No. 16, page 698.

6. The following statement shows the capital expenditure on the construction of railways, in the five years before 1879, and in the five subsequent years:—

RAILWAYS.	1874-75 to 1878-79.					1879-80 to 1883-84.				
	1874-75	1875-76.	1876-77.	1877-78.	1878-79.	1879-80.	1880-81.	1881-82.	1882-83.	Revised Estimate, 1883-84.
	£.	£.	£.	£.	£.	£.	£.	£.	£.	£.
State	3,035,000	3,227,000	2,893,000	4,056,000	3,549,000	3,152,000	2,631,000	1,888,000	2,115,000	2,695,000
Frontier	–	–	–	–	–	1,334,000	2,293,000	225,000	260,000	—22,000
Protective	–	–	–	–	–	–	–	614,000	—129,000	626,000
East Indian	–	–	–	–	–	154,000	418,000	455,000	148,000	238,000
TOTAL direct Outlay	3,035,000	3,227,000	2,893,000	4,056,000	3,549,000	4,640,000	5,342,000	3,177,000	2,394,000	3,537,000
Guaranteed Companies	1,088,000	951,000	716,000	1,324,000	1,012,000	350,000	435,000	673,000	411,000	1,064,000
Subsidized Companies	–	–	–	–	–	–	–	170,000	338,000	348,000
Southern Mahratta Companies	–	–	–	–	–	–	–	–	711,000	636,000
TOTAL by Companies	1,088,000	951,000	716,000	1,324,000	1,012,000	350,000	435,000	843,000	1,460,000	2,048,000
GRAND TOTAL	4,123,000	4,178,000	3,609,000	5,380,000	4,561,000	4,990,000	5,777,000	4,020,000	3,854,000	5,585,000
Annual Average	£. 4,370,000.					£. 4,845,000.				

(Exclusive of the sum spent by the Bengal and North Western Railway Company.)

From these figures it appears that, although the direct outlay on State railways and irrigation works from borrowed money has been limited to an annual average of 2,500,000 *l.* (1,800,000 *l.* being usually devoted to railways), there has been so much spent from the ordinary revenues or by companies working with

with Government assistance, that the annual average outlay in the last five years on railways alone exceeds that in the former period by 475,000 *l.*

7. Having regard to the certain recurrence of periodical famines, and being of opinion that the cost of famine relief should not be added to the permanent debt of the country, the Government of India established, in 1878, an annual Famine Insurance Fund of 1,500,000 *l.* This sum was fixed upon the calculation that famine relief would cost, in every 10 years, 15,000,000 *l.* And the additional taxation required to provide the Famine Insurance Fund was sanctioned by the Secretary of State in Council on the understanding that the revenue thus raised should be applied to the construction of works likely to avert famine, or to the reduction of debt contracted for famine expenditure. Proposals have more than once been made by the Government of India to hypothecate a portion of the annual Famine Insurance Fund to the payment of interest on money borrowed for the construction of railways. But the Secretary of State in Council has declined to sanction these proposals; and the Select Committee of 1878–79 were also of opinion that the appropriation of a part of the Famine Fund for the payment of interest on loans raised to be expended on famine works, not fully productive, would be an entire inversion of the object for which the fund was created.

Westland, 4745–7. Waterfield, 6046–51 6067.

8. In 1880 the Famine Commission made its Report to the Government of India. From a general calculation of the carrying power of railways in relation to the food supply, and to the greatest population likely ever to require to be fed during a season of famine, they reckoned that, for the million square miles of British India, the length of railway needed to protect the country, on the assumption that each line would provide for a tract 25 miles in width on either side, was 20,000 miles, of which nearly half had been already completed, or was under construction. Taking the cost at 6,000 *l.* a mile, the total outlay might be estimated at 60,000,000 *l.* for the remaining 10,000 miles, which sum, spread over 25 years, would amount to 2,500,000 *l.* a year, or about the amount that had for some few years past, according to their statement, been appropriated yearly to the extension of railways. Such an estimate was, however, in their opinion, greatly in excess of the probable needs of the more accessible tracts for which protection was pressingly required; and, excluding mountainous and desert districts and those naturally placed beyond danger, the Commission considered it probable that less than one half of that length, or 5,000 miles, in addition to the then existing lines (9,000 miles), would go far to remove all future risk of serious difficulty in supplying food to any part of any district in the whole country. The Commission were strongly of opinion that the policy of investing borrowed capital in railway extension should not be abandoned, and expressed their hope that nothing might stand in the way of a very early return to the former scale of grants for that paramount object, or to the adoption of some other equivalent form of aid.

Page 170 of Report of Famine Commission.

9. Mr. Danvers, the Secretary of the Public Works Department in the India Office, stated to your Committee that the length of railway open on the 31st of March this year was 10,832 miles, and that at the same date 3,617 miles were under construction, making a total length of nearly 15,000 miles which will be open in a very few years, apart from any other lines not yet commenced. So far, therefore, as the mere mileage is concerned, the recommendations of the Famine Commission are in course of fulfilment.

Danvers, 6866. 6971–81.

10. It is, however, obviously necessary to consider, not merely with what length of railway India is already supplied, but what tracts of country remain unsupplied and exposed to the risks of famine. The Government of India in 1881 were so deeply impressed with the Report of the Famine Commission, that they considered it necessary forthwith to construct 3,000 miles of lines needed for protective purposes; and the scheme which they propose has been developed in three despatches written in 1883 and 1884, of which the following is a summary.

App. No. 1, page 493.

App. No. 1, pages 487–587.

11. The proposed policy of the Government of India is to leave to private enterprise those lines which are commercially most attractive, and to construct, either directly by the State, or indirectly through the agency of companies, those which are, relatively speaking, unprofitable, but which they consider to

Page 520.

be indispensable for protection against famine, or for other urgent purposes. With this object the Government of India have sketched a programme of the railways with which, in their opinion, it is desirable that India should sooner or later be provided.

12. These lines have been arranged in two schedules, A. and B.

Page 573. Schedule B. contains 34 lines, with a total length of 3,432½ miles, of which the cost is estimated at 24,288,000 *l.*; these railways are all considered likely to be remunerative, and they are left to be taken up by private companies, without any aid from the Government except the grant of land free of cost. The immediate construction of these lines is not contemplated by the Government of India.

Pages 521, 522.

Page 563. Schedule A. contains 30 projects, many of which are already under construction, the length requiring still to be made being 3,896 miles, and the cost being estimated at 28,262,450 *l.*, or, after allowing for the repayment of 630,000 *l.* by a Company, 27,832,450 *l.* These railways are all said to be indispensable for protective or other urgent purposes; it is intended that 13,444,000 *l.* shall be borrowed by the Government, 2,100,000 *l.* by construction and working companies, that is, companies receiving a permanent guarantee of interest to make a line on behalf of the State, and 12,040,000 *l.* by companies working on their own account, with a guarantee of advances of interest for a limited term of years, repayable from surplus profits. The remaining 48,450 *l.* will be supplied from the provincial balances.

Page 570.

Page 562, foot-note.

13. In order to provide the means of defraying the charge for interest on the capital sum to be raised by the limited guarantee companies for the construction of certain railways in Schedule A., the Government of India propose to appropriate to this purpose an average annual sum of 200,000 *l.* from the famine grant, together with the anticipated net receipts from these railways. The whole of the outlay for the lines in Schedule A. is to be spent in a period at first fixed at five, but now modified into "a few months more or less than six years."

Pages 521. 563.

14. It will be evident that this proposal implies a complete inversion of the regulations hitherto in force, as indeed was stated by the Government of India; for loan funds would be applied to unproductive works, and the famine grant would in part be used as interest on borrowed capital.

Pages 511, 512.

15. The arguments of the Government of India in favour of their scheme, were explained to your Committee clearly and in great detail, by the official witnesses sent from India for that purpose. Major Conway-Gordon, Deputy Accountant General and Under Secretary to the Government of India in the Public Works Department, showed the details of the proposals in all their administrative bearings; Mr. Westland, the Comptroller and Auditor General, stated what would be their probable effect on the finances; and Mr. Hunter, the Director General of Statistics, also gave evidence.

Conway-Gordon, 3496, &c.

Westland, 4776, &c.

Hunter, 7138, &c.

App. No. 1, page 566, and App. No. 5, pages 595–619. Strachey, 24–5. Lord, 2512–3. Hardie, 2810. 2817. Conway-Gordon, 3560. Ashburner, 6366. Henderson, 712. Coke, 1255–9. 1427–8.

16. Besides the official evidence, your Committee have considered the memorials of the Bengal, Madras, and Bombay Chambers of Commerce, and the East India Association, and they have examined representatives of the Liverpool and Manchester Chambers of Commerce, and many other witnesses acquainted with the trade of India. But while all these witnesses strongly advocated the more rapid construction of railways in India, none of them supported such extensive proposals as those put forward by the Chambers of Commerce of Bombay and Madras.

17. Your Committee will now proceed to sum up the grounds on which the various witnesses have urged the more rapid construction of railways.

App. No. 1, pages 487–587. Strachey, 371. Caird, 377. 697. Trevor, 1795. Hardie, 2941. Conway-Gordon, 4279. Westland, 4746. 4879. 4964.

(1.) The first ground is the necessity for increasing the works likely to protect the country against famine. General Strachey and Sir James Caird stated that there was no other means of saving life in time of famine so efficient and economical as railways; and Mr. Hunter showed that the plans of the Government rest, not merely on the importance of facilitating the conveyance of food into districts likely to be affected with scarcity, but also on the advantage of providing for its ready transmission from the tracts where grain is abundant. As he expressed it, "What the Government of India desires, is continuous broad-gauge communications from the centres of food production to the centres

Hunter, 7138–9. 7331.

of

of population and to the famine tracts." It is with this object mainly that they earnestly press for the construction of certain lines, especially the Bhopal-Gwalior and the Nagpore-Barakur Railways, which they desire to entrust to "Limited Guarantee" Companies. The wants of Bundelcund, which is especially liable to famine, would be provided for, by a line from Manickpur, on the Jubbulpore and Allahabad Line, westwards to Jhansi, and this line has been already undertaken directly by the State.

Chapman, 870. Bullen Smith, 2354. Conway-Gordon, 4350. 4417. 4425. Hunter, 7139–51. Conway-Gordon, 4100. Westland, 4921. Hunter, 7140–3. 7152.

(2.) Next may be placed the development of the internal trade of India, with the results of reducing the price of salt and other necessary articles of consumption, of increasing the price of grain which had previously found no market, and of equalising prices throughout a large extent of country.

Lord, 2462. Rendel, 5977. Ashburner, 6462. Hunter, 7188.

(3.) Another point on which stress was laid was the rapid development of the export trade in recent years, exclusive of bullion, of which the following figures, extracted from the Tables of Exports, afford proof:—

Strachey, 276. Caird, 413. 539–40. Coke, 1259–66. 1418–21. Lord, 2461–2. 2494. 2503. 2533. Graham, 2728. Hardie, 2859. 2871. Conway-Gordon, 5452. Hunter, 7188. Statistical Abstract relating to India, 17th Number, page 219.

Years ending 31st March.	Average Annual Value of Exports.
	£.
1864 to 1868 - - - - - -	57,770,000
1869 to 1873 - - - - - -	54,990,000
1874 to 1878 - - - - - -	57,140,000
1879 to 1883 - - - - - -	69,980,000
And the exports in 1883-84 amounted to -	88,076,000

In regard to the export of wheat in particular, the development of the trade is even more remarkable, the quantity having risen from an average of 4,544,000 cwts., valued at 1,951,000 *l.*, in the five years from 1876-77 to 1880-81, to 19,901,000 cwts., valued at 8,870,000 *l.*, in 1881-82, to 14,144,000 cwts., valued at 6,069,000 *l.*, in 1882-83, and to 20,961,000 cwts., valued at 8,880,000 *l.*, in 1883-84. Your Committee inquired whether the export of food from India in favourable years was detrimental to the welfare of the people, through the reduction of the stocks on which they would depend in times of famine. In reply to this it was stated that famine might be feared when prices rose threefold, but that, long before the cost of wheat to the consumer had been trebled, the price, with the addition of charges for freight, would have become so high as to remove all chance of its being exported; and, even assuming that the prospect of impending famine should fail to prevent exports, the quantity of wheat at all likely to be sent out of the country would not exceed a very small part of the total produce. On the other hand, the position of the cultivator is strengthened by the export trade of prosperous years; the sale of his produce enabling him to accumulate funds with which to meet the attack of famine. It was also stated that some kinds of grain which form a main portion of the staple food of the people are not, as a rule, exported.

Statistical Abstract relating to India, 17th Number, pages 100-3. Coke, 1260. 1522. Trade Tables of India, March 1884. Hunter, 7168-9. 7205–13. Strachey, 277. Caird, 561-2. Hunter, 7191.

(4.) The stimulus of the high price realised by their produce induces the people, not merely to substitute wheat for less remunerative crops, but also to improve their crops and to extend the area of cultivation, and, as the railways tap fresh districts, more sources of supply are found.

Caird, 643. 672. Coke, 1266. 1319–20. Glover, 1890. 1945. 1962–5. 2057. 2071–5. 2247–9. Bythell, 2614; Conway-Gordon, 5527–9. 5578; Ashburner, 6419. 6427. 6521–3; Hunter, 7162. 7170.

(5.) To a certain extent the land revenue of the Government is thereby increased; but this can only take place very gradually as the assessments of the districts expire, and the enhancement of the Government revenue bears but a small proportion to the increase of the income of the cultivator. General Strachey estimated the annual benefit to the people of India, owing to the construction of railways, at 30 to 40 million pounds sterling.

Strachey, 353. 355. Bythell, 2614. Birkmyre, 3446–8. Ashburner, 6343. 6405–14. Danvers, 6887. 7021–2. Hunter, 7144. 7217.

(6.) In certain districts the construction of railways would open up valuable coal fields; and possibly they would lead to the profitable working of iron mines, though on this point the evidence was slight. The line from Bilaspur to Etawah has been specially mentioned as being likely to have a profitable trade in minerals.

Caird, 567–8. 619. Glover, 1899. 2133–4. Dickens, 3162. Crawford, 3687. 3893. Hunter, 7151. 7236–9. 7283.

Caird, 376. 381. 431–4. 692. Chapman, 802–5. 860–1. 876. 903–5. Strachey, 1187. Glover, 1913 9. 1943. 1949–54. 1998 2001. 2251. Clarke, 2271–3. Wood, 2292; Hardie, 2899–2902; Birkmyre, 3387. 3393; Danvers, 6887. 7016–23; Hunter, 7159–61. 7216. 7307. 7423.

(7.) Some of the witnesses testified to the improvement in the economic and material condition of the people caused by railways, through the rise in wages, and the spread of manufacturing industry among a people of whom the great bulk gain their living entirely from agriculture. In sparsely populated countries the railways are said to have been of much use, by facilitating immigration from overcrowded districts.

Strachey, 239. Caird, 384. 451. Chapman, 796. 800. 808. 859. Coke, 1410-2. 1502–3. Glover, 1896. 1909. 1947. 2081–4. 2192–2200. 2241–2. Graham, 2778. Dickens, 3062. Rendel, 6006. App. No. 11, pages 647–8.

(8.) The unusual cheapness of materials, and especially of iron and steel, was strongly pressed as a reason for taking advantage of the present moment to push the construction of railways. Mr. Rendel, whose experience as Consulting Engineer to the Indian Government and many Indian Railway Companies entitles his opinion to great weight on such a point, said that "rails and sleepers were never so cheap and never so good as they are now." Mr. Glover, a contractor of much experience, said that the saving in the cost of materials and labour was estimated at 11 per cent., compared with the prices of 10 years ago. These statements were fully confirmed by the tables of prices furnished by the British Iron Trade Association.

Caird, 380. 436. 555. Birkmyre, 3416.

(9.) The improvement which has taken place in the credit of the Government of India in the London Money Market would enable it now to borrow the requisite capital at a much cheaper rate than was formerly the case; and, if guarantees have to be given to companies, it is no longer necessary to offer the high rate of 5 per cent., formerly given.

App. No. 1. App. No. 5, page 596. Strachey, 21–31. 55. 374. 1139; Chapman, 741–3. 1023; Coke, 1281–4; Dickens, 3058–60; Conway-Gordon, 4293–8. 4303. 4486. 4501; Ashburner, 6364; Danvers, 6875–6.

(10.) The possibility of accelerating the construction of railways by the Government availing itself of the agency of companies was pointed out. The general opinion is that the emulation created by the two systems is advantageous, and that, in the words of the Bengal Chamber of Commerce, "for many years to come the field will be large enough for both agencies to work side by side."

Strachey, 308. Bythell, 2609. Dickens, 3233. Birkmyre, 3416. Westland, 4954.

(11.) The experience of the conditions of railway construction in India, gained by the engineers, is another reason why lines can now be constructed at much less cost.

Financial Statement for 1884–85, page 55. Strachey, 4. Bythell, 2607. Graham, 2728. Westland, 4776.

(12.) The financial position of the Government of India is unquestionably better than five years ago, when the country was struggling with the burden caused by the terrible famine in Southern India, and had also to bear the cost of the military operations in Afghanistan.

Graham, 2740. Birkmyre, 3482–4.

(13.) Finally, it has been represented that slow construction is costly, and that, when once a railway is begun, the truest economy consists in speedily bringing it into operation.

18. On the other hand, your Committee deem it necessary to specify various reasons assigned by some of the witnesses, which seem to point to caution in incurring a great expenditure in the rapid development of railways.

Conway-Gordon, 4396. Waterfield, 6110–2.

(1.) From a Despatch which has been recently addressed by the Secretary of State to the Government of India, it appears that up to the present time the charge imposed on the revenues, year by year, in consequence of the railway policy, has varied from a maximum of nearly 236 lakhs of rupees (in 1878–9) to a minimum of 20½ lakhs in 1881–82, and that the aggregate charge up to the end of the current year is 41 crores of rupees, or (in the conventional exchange of 2 *s.* to the rupee) 41 millions sterling, excluding interest on the sums so laid out which would amount to about 30 crores in addition. It has, however, been pointed out that this payment is not a loss, but is the price at which India has purchased the great advantages she derives from a network of some 10 or 11 thousand miles of railway traversing the country in all directions, and enabling her people to move their produce and goods with a facility which was unknown before the railways were made. It was also observed that the annual burden has been almost extinguished in recent years; that to a great extent it is the result of the guarantees given in former years on terms which would not now be granted; and that many of the lines are paying excellent dividends, even on the heavy capital outlay incurred on them.

(2.) The

(2.) The difficulty of raising money in India has been set before us, especially by Mr. Hardie and Mr. Westland, whose calculations show that not much more than a crore of rupees each year is likely to be subscribed in India for permanent holding as an investment in that country; and, therefore, since the bulk of the funds required for railway extension must be found in England, whether in the shape of sterling loans, of guaranteed capital, of unguaranteed or temporarily guaranteed capital, or of rupee loans held in this country, the possible loss by exchange must be accepted as an element of risk either to the Government or the investor. Capital raised here would now, however, be transmitted to India at the present low rate of exchange, and no loss would arise in remitting the dividends to England, unless the value of the rupee should fall yet further.

Hardie, 2803. 2915. 2922-3. 2960. 2996. 3008-9. 3027. 3042-; Westland, 4773. 4785-92.

(3.) With regard to the finances, it is said that when the pressure of war and famine ceased, there was undoubtedly a very large surplus of revenue; but the fiscal reforms effected in 1882 and 1883 disposed of that surplus, and sufficient time has not yet passed for the recovery of such a financial position as would enable the country to meet an emergency without fear of fresh taxation. Even since the last financial statement of the Government of India was published in March, it has been determined to complete the railway to Quetta, involving an expenditure of about 2,000,000 *l.* in four years, which is sufficient to sweep away the whole of the surplus reckoned upon by Mr. Westland as justifying the proposals of the Government of India.

Financial Statement for 1884-5, page 3.

Westland, 4938. 5266-8.

(4.) Great objection is felt by some to any measure that shall divert from its primary object any portion of the famine insurance provision. On this point your Committee were referred to the evidence given before the Committee of 1879 by Sir Thomas Seccombe, lately Assistant Under Secretary of State for India, whose long experience as Financial Secretary at the India Office renders his advice on such a subject peculiarly valuable.

App. No. 13, page 660.

(5.) So recently as 1879, a large reduction of the engineer establishment in India was effected; and any measure involving a sudden increase of the establishment, with the consequent pensions, was greatly deprecated.

Coke, 1283. 1406. 1425-6. Graham, 2775. Dickens, 3120-31. 3292.

(6.) The scheme of the Government of India is largely dependent on their belief that certain lines, to which they attach the greatest importance, will be taken up by companies working with a guarantee of interest limited to a comparatively short period, or without any guarantee. Considerable doubt, however, is thrown by the evidence, on the prospect of such companies being willing to undertake the desired task; and Mr. Hunter admitted that, although he had ascertained that one set of promoters was still desirous of constructing the line for which they had been in treaty, the proposal which they had last made involved a permanent guarantee. Apart from this also, objection is felt to hypothecating the sum annually set aside for railways from the famine grant.

Strachey, 23. 1081. 1139-41. Caird, 390. 558-9. 702. Chapman, 787. 829. 914-21. 949. 979. Bullen Smith, 2308-10. Hardie, 2823-4. 2831-3. Dickens, 3074. 3096-7. 3238. 3258-60; Conway-Gordon, 4119. 4308. 5553. 5590-6; Westland, 4849-50; Ashburner, 6360-2; Robertson, 6710-1; Danvers, 6877-9. 7089; Hunter, 7317-24. 7382-3. 7388.

(7.) One point on which great stress has been laid by the official witnesses, is that the proposals for an extension of the railways are contingent upon their involving no new taxation. This was clearly stated by the Government of India, and has been emphatically asserted by Major Conway-Gordon as a cardinal principle, and confirmed by Mr. Westland.

App. No. 1, page 519, para. 54; Conway-Gordon, 3526. 3557. 3620. 4071-72. 4277. 4288. 4695-9. 4731. 5523. 5609. Westland, 4970-1. Waterfield, 6280-1. Danvers, 6872-7071.

19. The maintenance of the rigid distinction between productive and protective lines is said to hinder the application of borrowed capital to the very lines which are most needed as a protection against famine, and tends to cause unreasonably sanguine estimates of the remunerative nature of projected works to be produced, in order to bring them into the productive class.

Strachey, 7, 8. 179.

20. Your Committee have given the most careful consideration to the arguments thus summarized, and they consider the evidence in favour of a more rapid extension of railway communication to be conclusive.

Strachey, 26. 119. 320. 1109; Caird, 396; Henderson, 713; Chapman, 740. 875. 942; Coke, 1259. 1393. 1427-8; Glover, 1889-93. 1898. 1995; Clarke, 2266; Wood, 2277-8; Bullen-Smith, 2302-3, 2315-6; Lord, 2461-2. 2494. 2512. 3533; Bythell, 2607. 2612; Graham, 2728; Hardie, 2859-61; Dickens, 3047-8. 3055. 3061; Birkmyre, 3374. 3379. 3386. 3477-9; Conway-Gordon, 3635-8. 5484. 5532-3; Rendel, 5658. 5665. 5848. 5887. 5976; Ashburner, 6336-40. 6351-2; Danvers, 6871; Hunter, 7137-9. 7156.

Coke, 1297–1300. 3310–1; Glover, 1848. 1852–6. 1967; Lord, 2478. 2534–6; Bythell, 2711; Graham, 2737–9; Conway-Gordon, 4341–2. 4394. 4694. 4712–4. Danvers, 6892–5.

21. With regard to the question of gauge, your Committee are of opinion that all the leading trunk lines, with their principal feeders, should be on the broad gauge, the metre gauge being as a rule confined to tracts of country where that system is already in successful operation, and to local lines where the traffic is likely to be so light, that cheapness of construction more than counterbalances the undoubted disadvantage of break of gauge. The witnesses, with singular unanimity, General Strachey and Mr. Rendel being the only exceptions, attached great importance to the avoidance of breaks of gauge.

Chapman, 741. Coke, 1281–4. Trevor, 1665. Dickens, 3058–60. Conway-Gordon, 4293–4303. 4371. Westland, 4928. Danvers, 6875.

22. In considering the means by which a more rapid extension of railway communication may be accomplished, your Committee have given great attention to the merits of State operations, as compared with construction and working by the means of companies; and they are of opinion that it is desirable to employ both agencies. State operations are according to the present practice limited to the strength of the Public Works Department, the permanent staff of which it is not desirable to increase, for reasons given before the Select Committee of 1878-79, which reasons your Committee fully endorse. On the one hand, money can be raised more cheaply by the State, on the other construction and working by companies does not necessarily involve any increase of the staff of the Public Works Department, and it relieves the Government of India of a somewhat onerous charge; besides which, the emulation between *quasi* private enterprise and Government working tends to promote economical construction and management.

Chapman, 787. Conway-Gordon, 5590 to 5594. Danvers, 6874. 7089.

23. Your Committee think that the time may come when new railways will be made in India by unassisted private enterprise, and that this should be kept in view in all contracts made by the State, so that nothing should be done to prejudice a change of system which improved financial results of Indian railways, and greater consequent confidence on the part of the investing public might justify. Your Committee are confirmed in this belief by an examination of the last year's railway accounts, which show clearly that, irrespective of loss by exchange, which is a matter really outside the consideration of loss or profit on any particular line, the return on the whole railway investment of India was 5·68 per cent.

Waterfield, 6071–3. 6078–84.

24. The terms on which companies have lately undertaken railways in India are as follows, in all of which the companies have received land free of cost:—

(*a.*) The plan known as the "Bengal and North Western" terms, under which the company makes the line upon its own responsibility, and receives the whole of the profits of the undertaking, the line reverting to the State at the end of 99 years. The terms of purchase by the Government under this plan are that, at the end of 30 or 50 years, the Government may buy the company's interest at the rate of 25 years' purchase of the average annual net earnings of the line for the previous five years.

(*b.*) The plan known as the "Bengal Central" terms, under which the Company receives a guarantee of 4 per cent. on paid-up capital during construction, which advance is to be repaid with simple interest by the Company to the Government, by a contribution of half its net earnings over 5 per cent. The terms of purchase are, that at the end of 30 or 50 years the Government may buy the undertaking at the rate of 125 *l.* for each 100 *l.* of stock.

(*c.*) The "Southern Mahratta" terms, under which the Company practically acts as agent for the Government, receiving a guarantee of 3½ per cent. plus one-fourth of the net receipts during the currency of the agency, which is terminable after the 25th year, or at subsequent intervals of 10 years, at the option of the Government, while the Company by giving a year's notice may demand the return of their capital. This guarantee is payable in rupees; such a number of rupees being guaranteed as will insure to the holder of stock a sterling payment in London of 3½ per cent. (plus at least a half per cent. until 1889), after which the guarantee is the equivalent of 3½ per cent. sterling in London, plus one-fourth of the net receipts, which are payable in India.

25. In

25. In commenting upon these plans, your Committee will point out that each is suitable under certain circumstances.

(*a.*) When a line may be expected to give a considerable immediate return, the Bengal North-Western terms are reasonable.

(*b.*) When the prospect is not so well assured, the Bengal Central terms offer a greater inducement to the investor, by guaranteeing interest on capital during construction.

(*c.*) The Southern Mahratta terms offer a permanent security to investors, which is equal to the security of the Government of India, with the addition of a quarter of the net receipts of the line.

Your Committee, however, think that it is unnecessary to complicate these terms by stating that the *equivalent* in rupees of a $3\frac{1}{2}$ per cent. sterling guarantee shall be given; and suggest that the guarantee in sterling should be absolute.

They also suggest that, in future contracts, the option of demanding the repayment of the capital of the Company by one year's notice should not be unconditionally given.

26. Your Committee do not feel justified in recommending which particular lines should be made on particular terms, but they are of opinion that simplicity of terms is of great importance in inducing companies to make new lines; that all possible publicity should be given both in India and in England to the projects which Government wish to be undertaken by companies; that negotiations should be conducted as expeditiously as possible, so as to avoid all unnecessary delays in arranging contracts; and that the accounts of the financial results of railways in India should be kept in such a manner, and so published, as to be easily available to and understood by the investing public.

Dickens, 3081. 3213–4. Birkmyre, 3350–1. Conway Gordon, 3353. 3653–4. 4307. 4465–8. 4580. 4590–1. 4627–43. 4697. Westland, 4813–7. 4957–9. 5028–39. 5067–9. 5106–8, Waterfield, 6106–11.

27. Your Committee are of opinion that the Government should retain in their own hands a power of fixing or from time to time varying the maximum of fares and rates, subject to adequate provisions to secure the interests of investors.

Lord, 2568–9. Bythell, 2631. Graham, 2742. Hardie, 2829. Dickens, 3250. Birkmyre, 3361. Conway-Gordon, 4367. Danvers, 6999.

28. Your Committee are of opinion that the technical distinction which has been hitherto made between protective and productive lines cannot be maintained. They recommend, therefore, that railways, needed for protection from famine or for the development of the country, be made as required, whether they be technically considered protective or productive. Your Committee do not approve of the entire removal of the existing check upon the construction of unremunerative railways as suggested by the Indian Government. The evidence even of their own witnesses has been against this revolution of policy. Your Committee are strongly of opinion that the bulk of the lines made should be self-supporting.

Strachey, 8. Caird, 386. Conway-Gordon, 5367. 5600–3. Hunter, 7139.

29. The attention of your Committee has been called to the mischief occasioned by constant fluctuations of policy in the construction of railways, and they are of opinion that a careful forecast having been made of future requirements for public works over a considerable term of years, such a scale of expenditure upon railways should be adopted as can reasonably be maintained.

App. No. 1, page 522. Trevor, 1580–2. Dickens, 3048. 3131. 3304. Conway-Gordon, 3526. Waterfield, 6104. 6193–5. 6320–1.

30. Your Committee are of opinion that the amount proposed to be spent on railways by the Government of India during the next six years is moderate, and that, looking to the experience of past years, and to present prospects, there is a very fair ground for expecting that an extension of the railway system of India on the scale proposed will have most beneficial effects.

Conway-Gordon, 3495 to 3527. 5609 to 5611, and *passim*. Westland, *passim*.

31. Your Committee have considered with great care the evidence placed before them as to the expediency of borrowing in India or England. They are strongly impressed with the reasons which weighed with the Committee of 1879, and with the Home Government; and they are of opinion, that if the capital required could be *really obtained from Indian sources*, the advantages of borrowing there, as compared with borrowing in England, would be very great. The growth too of the sterling debt in times of war or famine, and the difficulty of reducing that debt, even in prosperous years, has been clearly demonstrated,

Bullen Smith, 2317. Lord, 2484 8. Bythell, 2711. Graham, 2748. Hardie, 3005. Birkmyre, 3355. Conway-Gordon, 4256. Westland, 4805–6. Danvers, 6874. 7028–9.

App. No. 14, pages 665-690. Waterfield, 6091-6105. 6117-9. 6121-33. 6184-90. 6201-4. 6221-40. 6249-66. 6322-3.

demonstrated, both in the evidence of Sir T. Seccombe before the Committee of 1879, and in Mr. Waterfield's evidence before the present Committee. Your Committee think also that, for political as well as for financial reasons, it is desirable that loans should, as far as possible, be raised in India; but they do not believe that rupee loans, *which are not really absorbed in India*, differ materially in their effect upon exchange from sterling loans, as, if held in Europe, the interest upon them will probably be remitted from India, and will come into the exchange market. They would, therefore, recommend, quoting the words of the Report of the Select Committee of 1879, that, when "the difference between the rates of interest in India and in England is so considerable as to afford full compensation for the great comparative disadvantages which inevitably attend borrowing in this country," the Secretary of State in Council should not hesitate to borrow such moderate sums in this country as will enable the Government of India to complete such public works as shall have obtained his sanction.

* Despatch of 29 Jan. 1884, paras. 10 and 11. App. No. 1, pages 562 and 563.

32. With regard to the recommendation of the Government of India that interest on the sum of 11,250,000 *l.*,* to be spent on productive and protective railways, should be partly provided by hypothecating 200,000 *l.* of the Famine Grant, your Committee are of opinion that any such application of any portion of that grant would be entirely contrary to the purposes for which the fund was created, and they cannot concur in this suggestion.

33. Your Committee have endeavoured to arrive at some definite conclusion respecting the amount of money which may, on an average of years, and with safety to the finances, be annually borrowed for the construction of public works. But, from the limited field of taxation, and the fluctuations to which the finances of India are liable, they believe it to be impossible for them to form any precise forecast on which to base a definite recommendation on this subject. Whilst expressing an opinion that the present limit of borrowing, fixed by the Committee of 1878-79 at 2,500,000 *l.*, might safely be enlarged, they think that the full responsibility of deciding upon the amounts to be borrowed from year to year should rest with the Secretary of State in Council.

34. In making the recommendations contained in this Report, your Committee wish most emphatically to endorse the declaration of the Government of India, made by Major Conway-Gordon and Mr. Westland, that the proposed extension of railways should not involve additional taxation.

18 *July* 1884.

INDEX

TO THE

REPORT

FROM THE

SELECT COMMITTEE

ON

EAST INDIA RAILWAY COMMUNICATION.

[COMMUNICATED FROM THE COMMONS TO THE LORDS.]

1884.

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INDEX.

ANALYSIS OF INDEX.

LIST of the PRINCIPAL HEADINGS in the following INDEX, with the Pages at which they may be found.

	PAGE
ACCOUNTS:	925
ADMINISTRATION AND MANAGEMENT:	
1. *Question of Administration of the Railways by the Central Government in India or by the Provincial Governments*	926
2. *Question of Administration by Private Companies*	926
BENGAL CENTRAL RAILWAY	930
BENGAL AND NORTH WESTERN RAILWAY	930
BHOPAL TO JHANSI, GWALIOR, AND CAWNPUR:	
1. *Importance attached to this Project; Expediency of the Line being on the Broad Gauge*	931
2. *Terms of Construction; Negotiations with the Great Indian Peninsula Company on the subject*	932
3. *Delay in Construction; Progress being made*	932
4. *Documentary Evidence and Statistics*	932
Bilaspur-Etawa Railway	933
Bombay Chamber of Commerce	934
Branch Lines or Feeder	935
Bundelkund	936
CAPITAL (RAILWAY EXTENSION)	941
Chattisgarh District	944
Coal	945
CONDITION OF THE PEOPLE	947
CONSTRUCTION AND WORKING	948
COST OF LINES:	
1. *Relative Cost of Broad and Narrow Gauge Railways*	958
2. *Reduced Cost of Construction at the present Time as compared with former Years*	958
Cotton	959
CULTIVATION OF THE SOIL	962
EASTERN BENGAL RAILWAY	967
EAST INDIAN RAILWAY:	
1. *Administration by the Company; its Efficiency*	967
2. *Rates; Control exercised by Government*	968
3. *Feeder Lines or Branches*	968
EAST INDIAN RAILWAY—continued.	PAGE
4. *Traffic, Working Expenses, and Net Revenue*	968
5. *Question of Loss by Exchange in respect of Capital*	969
6. *Other Details on various Points*	969
Employment	969
ENGINEERS (RAILWAYS, &c.)	970
Engines and Rolling Stock	971
EXCHANGE, LOSS BY	971
EXPENDITURE (RAILWAYS):	
1. *Evidence explanatory of the Views of General Strachey upon the question of future Railway Expenditure*	972
2. *Views of General Dickens as to the Rate of Expenditure desirable*	973
3. *Proposals of the Government of India, as advocated by Major Conway-Gordon; Details submitted by him in explanation and in support of the proposed Expenditure*	973
4. *Conclusions of Mr. Westland and Mr. Danvers as to the Expediency of Increased Outlay on Railways, and as to the Annual Cost to be incurred*	974
5. *Evidence explanatory of the Views of other Witnesses as to the Rates of Expenditure desirable*	974
6. *Official Papers and Correspondence on the part of the Government of India and of the Secretary of State for India in Council*	975
7. *Returns and Statistics showing the Expenditure down to the present Year*	976
8. *Conclusions and Recommendations of the Committee*	976
EXPORTS	977
EXTENSION OF RAILWAYS:	
1. *Views of General Strachey as to the Rate of Construction to be carried out*	978
2. *Conclusions and Suggestions of Sir James Caird*	978
3. *Explanations and Suggestions on the part of Mr. Westland and Mr. Danvers*	979
4. *Details submitted by Major Conway-Gordon in support of the Extensions proposed by the Government of India*	979

Extension of Railways—continued. PAGE

5. *Evidence of other Witnesses as to Progress desirable to be made in the Construction of New Railways* 979
6. *Exception taken by Mr. Crawford to any large Extension at the present Time* - - - - - 981
7. *Papers and Correspondence on the part of the Government of India and of the Secretary of State* - 981
8. *Conclusions and Recommendations of the Committee* - - - 981

Famines, and Famine Lines:

1. *Concurrence of Evidence as to the Importance of Railway Extension with a view to the Relief of Famines* - - - - - 982
2. *Recommendations by the Famine Commissioners* - - - - 982
3. *Views of Sir James Caird in favour of New Lines in Populous Districts* - 982
4. *Loss of Life from Famines* - - 983
5. *Expenditure upon Relief* - - 983
6. *Advantage of Railway Construction in time of Famine* - - - 983
7. *Effect of Increased Cultivation as a result of Railway Extension* - 983
8. *Effect of a large Rise in the Price of Grain* - - - - - 983
9. *Proposals of the Government of India as regards the Construction of Famine Lines* - - - 983
10. *Arrangement respecting the Appropriation of a Million and a-half Yearly by way of Famine Insurance* - - - - - 984
11. *Question of using part of the Famine Fund as Interest on Capital for Protective Lines* - - - 984
12. *Summary by the Committee and Conclusions arrived at* - - 985

Financial Condition of India (Surplus Revenue) - - - - 985

Financial Results of Railways:

1. *As to the Results hitherto* - - 987
2. *As to the Future Results* - - 988
3. *As to the Accounts* - - - - 988

Gauge:

1. *Circumstances under which the Narrow or Metre Gauge was first introduced.* - - - - 989
2. *Mileage Constructed, or under Construction, on the Broad and Narrow Gauge, respectively* - 990
3. *Relative Cost of the two Gauges as regards Construction* - - - 990
4. *Relative Cost of Maintenance and Working* - - - - - 990
5. *Relative Capacity and Results as to Traffic* - - - - - 991
6. *Extent to which the Broad Gauge or the Narrow Gauge should be adopted in future Construction* - 991
7. *Break of Gauge; Inconvenience and Cost involved* - - - 993
8. *Suggested Decision by the Committee as to the Gauge to be adopted* - 994
9 *Recommendations by the Committee* - 994

PAGE

Grain - - - - - - - - - - 997

Great Indian Peninsula Railway - - 998

Guarantees and Guaranteed Railways:

1. *Terms of the Guarantees to Existing Lines* - - - - - 998
2. *Efficient Administration of the Guaranteed Railways* - - 999
3. *Financial Statistics* - - - 999
4. *Generally as to the Question of further Guarantees, and the Limitations and Conditions under which they should be given* - - - 1000
5. *Conclusions and Reccommendations of the Committee* - - - 1001

Interest on Loans - - - - - - - 1006

Irrigation - - - - - - - - 1007

Jhansi-Cawnpur Railway - - - - 1007

Jhansi-Manikpur Railway - - - - 1007

Land Revenue - - - - - - - 1009

Loans (Railways, &c.):

1. *Views of General Strachey upon the Question of Borrowing in England or in India; Expediency of limiting the creation of Sterling Debt* - 1010
2. *Explanations and Suggestions by Mr. Hardie, with reference more especially to the Question of Sterling Loans in England or of Rupee Loans in India* - - 1010
3. *Views of Major Conway-Gordon as to the Annual Amount to be borrowed for Railways, &c., and as to the Expediency of issuing Loans in England* - - - - - - 1010
4. *Evidence of Mr. Crawford strongly in favour of Loans being raised in India* - - - - - 1011
5. *Explanations and Suggestions by Mr. Westland respecting the amount of Government Loans, and the Financial Result of borrowing in Sterling in England or in Rupees in India* - - - - - - 1011
6. *Information supplied by Mr. Waterfield together with Suggestions as to the Issue of Loans in India or in England* - - - - - 1011
7. *Suggestions by other Authorities as to the Amount to be borrowed for Railways, and as to the Question of raising the Money in England or in India* - - - - - 1012
8. *Concurrence of Opinions favourable to Rupee Loans in India; Difficulty as to Native Investment on account of the low Rate of Interest* - - - - - 1013
9. *Amount of outstanding Loans or Debt; Extent to which taken up or held in India* - - - 1014
10. *Communications from the Secretary of State in Council and the Government of India* - - - 1014
11. *Summary by the Committee and Conclusions arrived at* - - 1014

PAGE

Nagpur and Bengal Railway (Bombay to Calcutta):
1. *Advocacy of this Line; Importance attached to it by the Government of India* - 1018
2. *Exceptions taken to the proposed Line, as not likely to be Productive* - 1018

Native Capital - 1019

Passenger Traffic - 1021

Population - 1021

Private Enterprise:
1. *Considerations generally as to the Question of Railway Extension by means of Private Companies* - 1022
2. *Question of Guarantees in connection with Private Enterprise* - 1023
3. *Official Papers and Correspondence as to the Extent to which Operations should be entrusted to Private Companies* - 1023
4. *Conclusions and Recommendations of the Committee* - 1024

Productive Lines:
1. *Distinction drawn by the Secretary of State for India between Productive and Protective Lines; Exceptions taken thereto* - 1024
2. *Prospect of New Lines, and of Indian Railways generally, becoming productive* - 1025
3. *Productive Lines proposed by the Government of India* - 1025
4. *Expediency of the best paying Lines being first undertaken* - 1026
5. *Financial Statistics relative to Productive Lines* - 1026

Protective Lines:
1. *Considerations as to the Expediency of pushing on Protective Lines; objection to the limitation laid down by the Secretary of State in the Matter* - 1027
2. *View of the Government of India in favour of State Construction being limited to Unproductive Lines* - 1027
3. *Details respecting the Protective Lines proposed by the Government of India* - 1027
4. *Expenditure* - 1027
5. *Conclusions of the Committee* - 1027

Provincial Governments - 1028

Public Works Department - 1028

Public Works (Revenue and Expenditure) - 1029

Purchase of Undertakings - 1030

Quetta Railway - 1030

Rajpootana-Malwa Railway - 1031

Rates and Fares:
1. *Concurrence of Evidence in favour of Government Revision and Control; Recommendation to this effect by the Committee* - 1032

Rates and Fares—continued. PAGE
2. *Suggestion by Mr. Rendel for the appointment of a Commission for dealing with Questions of Rates and Fares* - 1033
3. *Views of the Government of India as to the Powers to be exercised by the Local Governments and by the Companies, respectively* - 1033
4. *Amount of Rates and Fares; Great advantage in these being as low as possible* - 1033

Remittances - 1034

Responsibility (Railway Extension) - 1037

Silver, Value of - 1039

South Mahratta Company:
1. *Information relative to the Government arrangement with the Company; its Advantages* - 1040
2. *Approval of a similar arrangement with other Companies* - 1041
3. *Protective character of the Line, which is on the Narrow Gauge, and will soon be opened* - 1041
4. *Views of the Government of India in approval of the Line* - 1041
5. *Exchange in connection with Capital Transactions* - 1041
6. *Very small Local Capital subscribed* 1041

State Railways;
1. *Considerations generally as to the system of State Railways, as to extent to which desirable, and the Financial Arrangements to be adopted* - 1042
2. *Proposals of the Government of India as to the Lines to be constructed* - 1042
3. *Financial Statistics respecting the existing State Railways* - 1043
4. *Approval by the Committee of the action of the State as well as of private Companies* - 1043

Statistics - 1044

Taxation - 1050

Trade - 1051

Traffic - 1051

Vizagapatam-Raipur Railway - 1054

Wheat:
1. *Question of Competition of Indian with American Wheat in the English Market* - 1063
2. *Cost of Production in India* - 1063
3. *Extent of Cultivation and of Export hitherto* - 1063
4. *Prospect of Increased Cultivation and Export as a result of Railway Extension* - 1064
5. *Conclusions arrived at by the Committee* - 1064

Working Expenses:
1. *Sundry Details respecting the Cost of Working the Indian Railways generally* - 1065
2. *Broad Gauge Lines and Narrow Gauge Lines, respectively* - 1066
3. *Statistics suggested by Mr. Rendel* - 1065

I N D E X.

[*N.B.*—In this Index the Figures following the Names of the Witnesses, and those in the Analysis of Evidence of each Witness, refer to the Questions in the Evidence; the Figures following *App.* refer to the Pages in the Appendix; and the Numerals following *Rep.* to the Pages in the Report.]

A.

ACCIDENTS. Freedom from accidents on lines in India as compared with English lines, *Rendel* 5709. 5726–5748. 5927.

ACCOUNTS:

Expediency of the railway accounts being kept entirely separate, and of their showing, clearly, the financial results from the railways, apart from the other financial operations of the State, *Graham* 2721–2723. 2749——Great advantage in the system of supervision and audit now in operation, which tends to prevent waste of money such as existed in the case of private companies in former years, *Dickens* 3314–3317.

Special difficulties in the accounts of the Government of India, they being prepared on a different principle to mercantile accounts; improvement if they were kept on purely commercial principles, *Conway-Gordon* 3509. 4468——Suggestion also that the railway accounts should be kept entirely outside the general accounts of the State, *ib.* 3553. 3621, 3622. 3653, 3654. 4468.

Improvements desirable in the form of the accounts in the event of the Government borrowing in sterling in England; belief that there would not be much difficulty in so altering the form as to show the difference between the rupee and the sterling loan, *Westland* 4808–4812——Decided opinion that it is less inconvenient to alter the accounts than to show, as at present, transactions far removed from the truth by assuming that the rupee is one-tenth of a pound sterling, *ib.* 4811, 4812.

Disagreement with Major Conway-Gordon's proposal that the railway and public works accounts should be separated from the general revenue accounts of the Empire; grounds for believing that there would be no advantage in this change, *Westland* 4813–4817——Statement that although separate railway accounts are not published, it is very easy to obtain information as to the result of working from the accounts presented to Parliament, *ib.* 4957–4959. 5006, 5007.

Further explanation respecting the proposed change in the accounts with the object of removing obscurity as to the position of the Government in the event of a system of borrowing in England being adopted; absence of any intention to alter the Indian form of account, *Westland* 5221–5228——Suggestion also as to publishing separate accounts showing the exact results of the working of the railways, *ib.* 5304–5306——At present the accounts are not available to the public in any form except that of the Railway Administration Report, which it is difficult to comprehend, *ib.* 5306–5308.

Suggestions with reference to making such additions to the Finance Accounts as will show the real result to the government of the railway transactions of the year; impossibility of showing distinctly the question of exchange in these accounts, *Waterfield* 6106–6111. 6131——Explanation as to the mode of accounting for the receipts from protective lines made out of revenue not debited as productive lines, *ib.* 6179–6183.

Explanation that throughout India when any railway is constructed it is charged against ordinary revenue when it is anticipated that it will not be a paying line, *Westland* 7109–7118——Grounds for the opinion that the accounts, as regards the contracts between the Provincial and Imperial Governments in regard to expenditure on railways, should be kept separate, *ib.* 7126.

Recommendation by the Committee that the accounts of the financial results of the railways should be kept in such a manner, and so published, as to be easily available to and understood by the investing public, *Rep.* xi.

See also *Exchange, Loss by.* *Financial Results of Railways.*

Report, 1884—*continued.*

Adam, F. Forbes. Views of Mr. Adam, as Chairman of the Bombay Chamber of Commerce, relative to the great importance of a large and rapid extension of railways throughout India, *App.* 608-612.

ADMINISTRATION AND MANAGEMENT:

1. *Question of Administration of the Railways by the Central Government in India, or by the Provincial Governments.*
2. *Question of Administration by Private Companies.*

1. *Question of Administration of the Railways by the Central Government in India, or by the Provincial Governments:*

Immense extent of India, and enormous business involved in the management of the railways, so that their administration by a Central Government Authority or Railway Commission would be little short of absurd, *Strachey* 31, 32——Enormous and multifarious duties discharged by the Government of India. so that it may well be relieved of the detailed administration of the railway system, *ib.* 258–264. 372.

Explanation that witness does not approve at present of the raising of loans by the Provincial Governments for the construction of railways, though the administration might be placed in their hands, together with the financial responsibility for working the lines, *Strachey* 265, 266.

Evidence as to the advantages to be derived from the construction and control of railways in India by the Government of India or rather by the several Provincial Governments, *Sir J. Caird* 393–398——Advantage if the Government had command of all the railways in India; efficient Government administration in Australia, *ib.* 492, 493. 505–515.

Conclusion that Government being obliged to run the risk in connection with guarantees, and the raising of the capital, had better take over the administration and the profits; facility by dividing the administration among the provinces, *Sir J. Caird* 505–515. 546, 547. 614–616. 634——Use to be made of the resources and credit of India in connection with a system of administration by the different provinces, *ib.* 634.

Observations regarding the effect of dual control on the management of the Indian railways; explanation hereon as to the control exercised by the Government over the rates, *Chapman* 782. 928–931. 1025–1038.

Examination with reference to the amount of control which it is expedient that the Government should exercise over the management and rates of private companies; feeling of the Liverpool merchants that it is a dangerous system to hand over the traffic of India to private companies without a firm hold being kept by the Government, *Cope* 1285–1287. 1301–1306. 1371–1378. 1384–1391——Advantage of the system of a permanent guarantee, as enabling Government to maintain a control over the companies, *ib.* 1301–1303. 1334–1337——Approval of the detailed management of railways by military engineers, *ib.* 1312, 1313. 1471.

Opinion that the Government have now an experienced staff of railway officials, and that the State lines are equally well managed with those of the guaranteed companies, *Trevor* 1592–1604.

Approval of there being a distinct department of the Indian Government to attend to the construction and management of railways, *Graham* 2722.

Strong opinion that the Government should exercise a very considerable amount of control in the management of the railway, *Hardie* 2826, 2827——Suggestion that the railways should be managed by a board appointed by the Government in the same way that port trusts are managed, *ib.* 2929–2931.

Inexpediency of placing Indian railways under the management of public bodies similar to port trusts in India, *Dickens* 3187–3189——Belief that there would be very great difficulty if it were attempted to place the State railways under the management of a trust similar to that of the port of Calcutta or Bombay, *Crawford* 3805.

Great advantage of the control which the Government exercises over the East Indian line; expediency of extending this control to other lines when the contracts are brought to a conclusion, *Crawford* 3994–4002.

Contention that although the Government have taken over losing lines at a small premium it does not prove that the lines would have been managed better had they been undertaken in the first instance by the Government, *Danvers* 6940–6942.

2. *Question of Administration by Private Companies:*

Conclusions as to the advantage, on the whole, of administration by companies instead of by the Government, *Strachey* 253–264. 372–374——Satisfaction further expressed with the companies' management generally in India, there being moreover an efficient Government audit of all expenditure, *ib.* 314–316.

Limited extent to which there should be Government control over the administration by private companies; degree of restriction desirable as regards rates, *Strachey* 1191, 1192.

Doubt

Report, 1884—*continued.*

ADMINISTRATION AND MANAGEMENT—continued.

2. *Question of Administration by Private Companies*—continued.

Doubt as to the expediency of following the precedent in the case of the East India Railway with respect to enlisting companies in the management, *Sir J. Caird* 704-708.

Belief that, as a general principle, the management of railways is carried out better by private companies than by the Government, *Chapman* 776-781——Delay and difficulties in many respects incidental to dual control by the Government and the companies, *ib.* 782. 928–931. 1025–1038.

Advantage of management through a company, in so far as Government is saved the cost of increasing the establishment, the cost of pensions, and such other charges, *Robertson* 6598–6601——Expediency of giving companies which are formed with a Government guarantee, the entire control over the management of their own lines, *ib.* 6639-6641.

See also *Construction and Working. Extension of Railways. Directors. Engineers. Financial Results of Railways. Gauge. Guaranteed Railways,* 2. *Private Enterprise. Provincial Governments. Rates and Fares. State Railways. Working Expenses.*

Adoni-Kurnool-Guntoor Railway. Particulars respecting this line, as proposed by the Government of India in January 1883, *App.* 524, 533.

Afghan Wars. Total of 11,840,000 *l.* as the Afghan War expenditure during the last twelve years, *Westland* 5181.

Amount of war expenditure of India in respect of Afghanistan in each year since 1879-80; *App.* 693.

Agriculture. See *Cultivation of the Soil. Grain. Wheat.*

American Railways. See *United States.*

Amraoti Railway. Statement showing for each year the mileage, average age, cost, and general results of working, *App.* 781.

Amritsar-Pathankot Railway. Estimated cost and results of this line; progress being made with its construction, as in January 1883; *App.* 525. 532.

Documentary evidence submitted by Major Conway-Gordon respecting this line, as proposed by the Government of India, its advantages, estimated cost, &c.; sanction given by the Secretary of State, *App.* 907. 919.

Ananatapur District. Statement showing the area, population, and loss of population, during the famine in this district, *App.* 587.

Anderson, Lieutenant General William Warden. (Analysis of his Evidence.)—Representation by witness of the East India Association, the Committee of the Association being strongly in favour of a large and rapid extension of railway communication in India, 711–714.

Desire of some influential capitalists in London to obtain certain concessions and guarantees from Government, by means of which the required capital may be raised, 715, 716. 720. 734——Construction of some railways in Kattywar (where witness was a resident for some nineteen years), by the native chiefs; desire of the latter for a junction of these lines with the Rajpootana Railway, *viâ* Veerungaum, 717. 723. 732, 733——Willingness of the Native Princes of Kattywar to subscribe capital towards the construction of certain local lines, 718–723. 735, 736.

Explanation that witness is not prepared to submit evidence in support of the memorial recently sent to the India Office by the East India Association; that is, as regards the precise ways and means of securing the proposed extension of railways, 724–731.

Army Services. Examination as to the claims on India by the War Office in respect of the non-effective charges of the English army; practical admission of the claim of 2,200,000 *l.* by the Government of India, which amount it has agreed to pay, *Westland* 4818–4823. 4862–4865.

Grounds for the exclusion from the account of the surplus of last year, of the payment to the War Office of 1,000,000 *l.* on account of non-effective charges, *Westland* 5115–5118——Explanation that the current payments to the War Office are reduced from what they hitherto have been on account of a change in the method of reckoning them; extra payments beyond this reduced amount to be made so as to pay off the arrears, *ib.* 5117, 5118.

Statement of the net disbursements of the Home Treasury of the Government of India in respect of army services in each year since 1867-68; *App.* 696, 697.

Capital outlay on military works in each year since 1867-68; *App.* 698, 699.

Report, 1884—*continued.*

Arni-Vellapuram Railway (*Madras*). Documentary evidence, and extracts from official correspondence, respecting the proposed construction of this line, and its advantages; sanction not yet given by the Secretary of State, *App.* 876-920.

Arrears of Interest (*Guaranteed Companies*). Explanation that in calculating the net earnings and the surplus profits, arrears of interest in former years are not taken into account; amount of such arrears, these not constituting any present charge upon the finances, *Strachey* 1179-1184.

Ashburner, Lionel. (Analysis of his Evidence.)—Long experience of witness in the Indian Civil Service; he has served in every district in the Bombay Presidency, and was a member of the Bombay Government for some years, 6335.

Grounds for advocating the extension of the Sibi line of railway to Quetta, 6336. 6415, 6416——Great importance of completing the link between Palanpore and Hyderabad, which would perfect the whole system of railways in that direction, 6336. 6473-6477——Desirability of a line to Cawnpore through Godra to Gwalior, with the object of serving the immense district between the Great Indian Peninsula and the Rajpootana lines, 6336-6339. 6478-6486.

Approval of a line from Jaitpore (Katiawar) to Verawal, where there would be large traffic to visit the temples of Dwarka, 6339. 6445-6447——Suggestions as to the expediency of constructing other lines, with the object of opening up the country to the North and South of Bombay; belief that these lines would be not only advantageous to the people but would be likely to pay, 6340-6343. 6439-6444. 6487-6492.

Undoubted opinion that railways develop in a remarkable way the resources of the country; examples of large increases of land revenues which have taken place in consequence of the proposal for the Western Deccan Line, 6343, 6344. 6405-6414. 6426. 6437, 6438——Obstacles which exist in regard to the development of traffic in the Western Presidency generally, 6345. 6448, 6449. 6466-6470.

Conclusion that in the interest of the public and of the railway companies themselves, the rates should be reduced; successful competition of cart traffic with some of the railways on account of the rates being so high, 6345-6347. 6386-6396. 6421-6422——Statement of the indirect advantages which have accrued to India from the extension of the railways; large districts of jungle which have of late years been brought under cultivation as one of the results, 6348-6350. 6417-6420. 6425-6429. 6520-6525.

Consensus of opinion in India that the extension of railways should be pushed on more rapidly than of late years; strong native feeling in favour of extension, 6351-6354. 6365-6367. 6453-6455——Expediency of giving to local governments greater latitude as regards granting guarantees from provincial revenues; argument that if local governments had this power, they could more successfully resist the frittering away of local funds upon insignificant objects, 6355. 6372-6379. 6451, 6452. 6493-6518.

Examination as to the agency to be adopted for the construction of the lines; opinion that the Government should not leave all the productive lines to the companies, but should make paying lines compensate for those which are not productive, 6356-6364. 6380-6385. 6450. 6489-6491. 6534-6537——Approval of the terms entered into by the Government with the South Mahratta Line, which were advantageous to both parties, 6358, 6359.

Anticipation that the time is not far distant when railways will be made in India without the necessity for a guarantee; belief that many lines might be built without guarantee at the present time, if companies were allowed to construct branches, 6360-6363. 6380-6385——Opinion that the Government, with its large staff of trained engineers, can build lines better and more economically than a company, 6364. 6450.

Disapproval of such an expansion of railway construction as was proposed by the Bombay merchants; belief that such rapidity of construction would not be economical, 6365, 6366——Grounds for the conclusion that grain should be carried in bulk, and not in bags, as a means of reducing the rate of freight on the railways; explanation that grain can be moved, in case of the break of guage, more easily in bulk than in bags, 6396-6399. 6423, 6424. 6430-6436.

Expediency of leaving the question of railway finance to be settled between the Government of India and the Secretary of State, 6402-6404——Advocacy of an extension of the railway to Quettah, both as a military and a commercial line; belief that this line would eventually carry sufficient paying traffic from Afghanistan and from Central Asia, 6415-6418.

Argument that where railways are extended into a district, they bring the traffic with them, 6421-6425——Importance of railways, especially during the monsoon, for carrying grain and cotton, which, if transported otherwise, leads to large losses; exactions by native chiefs, which would be avoided by means of railways, 6460-6469——Explanation of the indirect evils of a break of guage; enormous wastage on account of the goods lying about in the open, 6470-6472. 6538-6544.

Information

Report, 1884—*continued.*

Ashburner, Lionel. (Analysis of his Evidence)—*continued.*

Information generally respecting the proposals made by the Government of Bombay that the local governments should be given power to pledge the provincial revenues for railways; desirability of extending the present system of local cess by means of which the works would be carried out, 6493–6518.

Belief that in many cases a railway could be constructed at a less cost than an expensive road over a difficult soil, 6519——Statement that at the present time, in the Deccan, there are considerable districts still available for cultivation, 6525——Enormous quantities of wheat exported to Europe from the Bombay Ports, the Presidency being a large wheat-producing country, with the exception of the coast districts, 6529–6533.

Assam. Opinion that the projected lines to Assam and Chittagong might with advantage be made on the metre gauge, *Chapman* 764.

Particulars respecting the lines to Assam, as proposed by the Government of India in January 1883, *App.* 530.

Audit of Expenditure. Efficient Government audit of railway expenditure by companies, the management by the latter being satisfactory, *Strachey* 314–316——Advantages of the system of supervision and audit of railway now in force, as compared with the practice in former years, *Dickens* 3314–3317.

Australia. Practice in Australia for the several Governments to make their own railways with capital borrowed in this country, and to manage them when made; successful working of the arrangements, *Sir J. Caird* 391. 393. 493.

B.

Bankapur-Harihar Railway. Particulars respecting this line, as advocated by the Government of India in letter of 23rd January 1883, *App.* 513——Progress being made with the construction of the line, *ib.* 526.

Documentary evidence submitted by Major Conway-Gordon showing the views of the Government of India and of the Madras Government in favour of the construction of the line; approval on the part of the Secretary of State, *App.* 905, 906. 920.

Barakur-Nagpur Railway. Opinion that one of the most important of the railways proposed by the Indian Government is the Barakur-Nagpur line; grounds for considering it expedient that this line should be undertaken by a private company, with a limited guarantee, under Bengal Central terms, *Conway-Gordon* 4346–4365. 4371–4394.

Particulars respecting the Barakur-Nagpur project, as proposed by the Government of India in letter of 23rd January 1883, *App.* 513, 514.

Documentary evidence and extracts from official correspondence respecting the proposed construction of this line, and its advantages; sanction not yet given by the Secretary of State, *App.* 880–900. 920.

Bareilly-Philibhit Railway. Estimated cost and results of this line; progress being made with its construction, as in January 1883; *App.* 525. 532.

Documentary evidence submitted by Major Conway-Gordon respecting this project, as proposed by the Government of India, its advantages, estimated cost, &c.; sanction given by the Secretary of State, *App.* 913, 914. 919.

Baring, Honourable E. Minute by Major Baring, dated 25th July 1881, submitting his views upon the subject of railway extension and the mode of providing for the interest; suggestion that the interest may be met by the funds available by the cessation of the annual loans, and the development of the railways, *App.* 497–504.

Statistics submitted by Mr. Baring in support of the conclusions set forth in the foregoing Minute, *App.* 505, 506.

Behar. Particulars respecting the lines proposed by the Government of India in January 1883 for the connection of Behar and the North West with Assam, *App.* 525.

See also *Famines, &c. Orissa and Behar Irrigation Works.*

Bell, J. Lowthian. Statement by Mr. Bell, Chairman of the British Iron Trade Association, as to the present time being very favourable for railway extension in India on account of the greatly reduced cost of iron and steel railway materials, &c., *App.* 647, 648.

Bellary-Kistna (Hindupur Extension). Documentary evidence submitted by Major Conway-Gordon showing the views of the Government of India and of the Madras Government in favour of the construction of this line; approval on the part of the Secretary of State, *App.* 869–874. 919.

Report, 1884—*continued.*

Benares to Calcutta. Suggested broad gauge line from Benares to Calcutta through the coal region, about 400 miles long, *Sir J. Caird* 453, 454. 567——Value of the proposed line from Benares to Calcutta as giving an additional outlet to the fertile Gangetic plain; obstacle to this result being satisfactorily secured by means of the East Indian Railway, *ib.* 619-623.

Benares to Pooree. Length and cost of this project, as proposed by the Government of India, to be left to private enterprise, *App.* 530——Total length of 530 miles, the estimated cost being 4,600,000 *l.*, *ib.*

Bengal. Particulars respecting the several lines proposed by the Government of India in January 1883; *App.* 524–526. 530.

See also *the Headings generally throughout the Index.*

BENGAL CENTRAL RAILWAY:

Explanations respecting the cost in the case of the Bengal Central line, *Strachey* 1232-1237——Gradual improvement of the traffic returns on the Bengal Central Railway, *Bullen-Smith* 2367, 2368.

Explanation with reference to the arrangements made by the Government in the case of the Bengal Central Railway, which is a broad gauge line; considerable premium which the shares of this company now realise in the market, *Dichens* 3086-3091. 3099. 3134-3139. 3190, 3191. 3216. 3219——Estimate that the cost of the line will be about 6,000 *l.* a mile, and that of the Bengal North Western 4,500 *l.* a mile; contention that these two lines form the basis of a fair comparison of the cost as between the metre and the standard gauge, *ib.* 3100–3109. 3197-3211.

Belief that the Bengal Central line is the only one in India with a guarantee during construction which is to cease after the line is completed; importance that a company should be assured of its ultimate success before they consented to terms of this kind, *Dichens* 3135–3139.

Considerable risk to the Bengal Central Company for the reason that directly the limit of the guarantee is over they are in the position of an ordinary commercial company, *Conway-Gordon* 4356. 4364——Opinion that the rates and fares prescribed by the company, without any power of reduction by the Government, are injudiciously high, *ib.* 4412-4415.

Statement of the main provisions in the case of the arrangement made by the Government with the Bengal Central Company, by which a guarantee was given for a limited period; powers reserved by the Government to purchase this line after thirty or after fifty years, and if not purchased the line to lapse to the Government after ninety-nine years, *Waterfield* 6072-6074. 6084. 6312.

Explanation as to the cost of the Central Bengal line being so much less than that of the Eastern Bengal; large and difficult bridges which were necessary on the latter line, *Danvers* 6908–6913.

Satisfaction expressed by the Secretary of State in Despatch of December 1881, respecting the concession made to the Central Bengal Company, *App.* 508.

Receipts, or estimated receipts, since 1881–82; *App.* 733.

Explanation of the "Bengal Central" terms, and the conditions as to Government purchase, *Rep.* x—— When the prospects of return from any proposed line are not well assured, the Bengal Central terms offer a special inducement to the inventor by guaranteeing interest on capital during construction, *ib.* xi.

Bengal Chamber of Commerce. Moderate proposals of the Bengal Chamber of Commerce in regard to railway extension, *Conway-Gordon* 3560.

Memorial from the Bengal Chamber to the Governor General in 1884 on the subject of railway extension, and the increased facilities desirable, *App.* 595–597.

BENGAL AND NORTH WESTERN RAILWAY:

Concession in the case of the Bengal and North Western Company by the Government giving up a share of the profits above 6 per cent, *Strachey* 247——The stock has been at a discount ever since its issue, *Sir J. Caird* 390——Belief that the Bengal and North Western Railway is in as good a condition as ever it was, notwithstanding that its 4 *l.* shares are now to be had for 3 *l.* 10 *s.*, *Chapman* 918–921.

Information respecting the general position of the Bengal and North Western Company (of which witness is a director); explanation as to the terms on which the Government have power to purchase the line, *Trevor* 1671–1679. 1715–1725. 1808, 1809—— The Northern Bengal line is earning considerably more than 4 per cent., *ib.* 1805.

Statement as to the terms made with Government by the Bengal and North Western Company, which is a narrow gauge line; entire absence of guarantee in the case of this company,

Report, 1884—*continued.*

BENGAL AND NORTH WESTERN RAILWAY—continued.

company, the shares of which are at present at a considerable discount, *Dickens* 3093-3097. 3192-3196. 3221——Populous country, with large produce, through which the railway runs, *ib.* 3309, 3310.

Statement of the terms upon which the Government have agreed to purchase the line if it be taken over, *Conway-Gordon* 4401-4405——Grant of land made to the company by the Government, but no direct pecuniary assistance given; power reserved by the Government to purchase the line after thirty or after fifty years, *Waterfield* 6082-6084. 6283, 6284.

Revenue accounts for each of the years 1881-82, 1882-83, and 1883-84; *App.* 751-753——Administrative transactions for the above years, *ib.* 755. 757. 759.

Revenue accounts for each half-year from 31st December 1881 to 31st December 1883; *App.* 762-765——Statistics of the cost of working, &c., *ib.* 776. 798 *et seq.*

Summary of the terms under the "Bengal and North Western" arrangement, and conditions as to purchase by the Government, *Rep.* x.——Approval by the Committee of the Bengal North Western terms when a line is expected to give a considerable immediate return, *ib.* xi.

Beypore-Gudalur-Mysore Railway (Madras). Length and cost of this project, as proposed by the Government of India, to be left to private enterprise, *App.* 531.

Bezwada to Nizam's Frontier. Documentary evidence submitted by Major Conway-Gordon showing the views of the Government of India and of the Madras Government in favour of the construction of this line; approval on the part of the Secretary of State, *App.* 907, 908. 920.

Bhavnagar-Gondal Railway. Statistics of the cost of working this railway under different heads, *App.* 798 *et seq.*

BHOPAL TO JHANSI, GWALIOR, AND CAWNPUR:

1. *Importance attached to this Project; Expediency of the Line being on the Broad Gauge.*
2. *Terms of Construction; Negotiations with the Great Indian Peninsula Company on the subject.*
3. *Delay in Construction: Progress being made.*
4. *Documentary Evidence and Statistics.*

1. *Importance attached to this Project; Expediency of the Line being on the Broad Gauge:*

Evidence respecting the advantages of the proposed Bhopal and Cawnpur line; valuable opinion in regard to the probable development of the country through which it would pass given by Sir Lepel Griffin, *Chapman* 864-871. 891-899. 926. 966-969——Special importance of the Bhopal line that it will bring Northern India into direct communication with Bombay, *ib.* 866.

Expediency of the new line from Bhopal to Gwalior and Cawnpur being constructed on the broad gauge; grounds for this opinion, *Coke* 1297——Statement that the two trunk lines which the public are most anxious to see constructed are the Bhopal-Gwalior and Cawnpur extension, and the direct line from Nagpur to Calcutta, *ib.* 1452-1459.

Desirability of constructing a line from Bhopal to Cawnpur *viâ* Jhansi; belief that such a railway would be about the most profitable that could be made, *Trevor* 1635——Opinion that to build a railway from Bhopal northwards to Gwalior and Cawnpur on the metre gauge would be suicidal, as there would be three breaks of gauge, *ib.* 1852.

Statement that the country which the Bhopal State Railway is to traverse is populous and well cultivated; opinion that it is in no sense a poor country, *Glover* 2043, 2044. 2047-2060. 2159-2166——Belief that there is no part of India where a line could be more profitably worked than the country through which the Bhopal line passes; contention that it will pay interest within two years after construction, *ib.* 1875-1877. 1879, 1880——Construction of the Bhopal line on the broad gauge to satisfy the Begum, who was jealous because Scindia had his line made broad gauge to Gwalior, *ib.* 2024-2026.

Great importance of the proposed line from Bhopal to Jhansi and Gwalior, with an extension to Cawnpur, *Lord* 2463-2477; *Conway-Gordon* 4346-4365——Approval of the construction of the new line from Bhopal to Cawnpur, rather than widening the gauge of the Rajputana line, on account of the advantage of opening up a new area of country, *Conway-Gordon* 4425, 4426.

Statement that, assuming the Bhopal and Gwalior line were made, the tendency of the traffic below Agra would still be to Calcutta, *Crawford* 3862-3876——Dissent from the view that a railway from Bhopal to Gwalior would pay, if only from the local products passing over it, *Hunter* 7408.

Report, 1884—*continued.*

BHOPAL TO JHANSI, GWALIOR, AND CAWNPUR—continued.

1. *Importance attached to this Project, &c.*—continued.

Decided opinion that the Bhopal, Gwalior, and Cawnpur extension should be on the broad gauge; contention that this line is of such importance that it should be undertaken at once, *Danvers* 6895–6897——Concurrence in the suggestion that the Bhopal line should be constructed on the broad gauge, *Lord* 2469.

2. *Terms of Construction; Negotiations with the Great Indian Peninsula Company on the subject:*

Information respecting the unsuccessful proposals made by the Directors of the Great Indian Peninsula Company to the Indian Government to construct the line from Bhopal to Gwalior and Cawnpur without any guarantee; subsequent proposal that a limited guarantee should be given by the Government, *Chapman* 751–760. 821–835. 900.

Additional evidence with reference to the proposals made to the Government in regard to the construction of the line from Bhopal to Gwalior and Cawnpur; decided opinion that money for this line could not now be raised without a guarantee, *Chapman* 908–913. 948–951. 979. 993–1010. 1017–1019. 1039–1041—— Explanation as to the terms of the limited guarantee which was proposed to the Government in the case of the Bhopal line; condition proposed by the Government that after ninety-nine years the line should lapse to themselves, *ib.* 1011–1013——When the last proposal was made to the Government for the construction of the railway they did not accept the terms, but imposed the same conditions as were in force with the Bengal and North Western Company, *ib.* 1006.

Refusal of the Secretary of State to accept the offer of the Great Indian Peninsula Company to construct the Bhopal line upon the condition of a guarantee, on account of the liability involved, *Strachey* 1042–1046——Negotiations with the company subsequently for the construction of the line without a guarantee; eventual suspension of the negotiations through the company declining to undertake the line without a guarantee, *ib.* 1047–1052.

Opinion that though the Bhopal and Gwalior line should be sanctioned it should not be guaranteed by the Government at the expense of the people of India, *Crawford* 3945. 3985, 3986.

Witness submits that the line should be undertaken by private companies with a limited guarantee, under Bengal Central terms, *Conway-Gordon* 4340–4365. 4371–4394. 4469–4472.

Desire on the part of the Great Indian Peninsula Company to construct a line from Bhopal to Agra and Cawnpur in extension of their main line; postponement of the negotiations, the question being referred by the Government to the present Select Committee, *Waterfield* 6077. 6156. 6273–6275. 6282–6288.

3. *Delay in Construction; Progress being made:*

Statement that the charges of delay in regard to the construction of the line from Bhopal to Cawnpur and Gwalior, have been much exaggerated; explanation that the delay which did occur was owing in a large measure to the dual control exercised by the Government and the Company, *Chapman* 747–750. 782——If the proposal of the Great Indian Peninsula Company had been accepted the line would have been completed by the present time, *ib.* 755. 768–775.

Explanation as to the cause of the unwillingness of the Home Government to carry out what was the obvious wish of the Indian Government in regard to the Bhopal, Gwalior, and Cawnpur line; belief that one reason was that the proposal was inimical to the East Indian Railway, which is the property of the Government, *Chapman* 891–899. 927. 970–986. 1019–1024——Further statement that the delay in obtaining engines for the Bhopal Railway was an inevitable incident of the inconvenience of dual control; belief that the engines cost more than they would have done had they not been required so hurriedly, *ib.* 908. 932–934.

Construction by witness at the present time of the Bhopal State Railway on the broad gauge; that is, under contract, *Glover* 1832–1838. 1860–1864. 1946. 2016–2028——Description of the working on the Bhopal Railway; two important and expensive bridges to be constructed on this line, *ib.* 1872–1874. 1878. 2078–2084.

4. *Documentary Evidence and Statistics:*

Particulars respecting this line, as proposed by the Government of India in letter of 23rd January 1883; *App.* 513, 514.

Documentary evidence submitted by Major Conway-Gordon showing the views of the Government of India and of the Bombay Government in favour of the construction of this line; approval on the part of the Secretary of State, *App.* 900–902. 920.

Bhopal-Ujjam Railway. Length and cost of this project, as proposed by the Government of India to be left to private enterprise, *App.* 529.

Bilaspur-

Report, 1884—*continued.*

Bilaspur-Etawa Railway. Opinion that the selection of the line from Bilaspur through Saugor and the newly discovered coal-field of Rewah is not a very good one, *Dickens* 3161, 3162——Expediency of investigating the question of a line from Bilaspur to Calcutta, as the country through which it runs is so very little known; entire absence of justification for a railway at the present time in that district so far as local traffic is concerned, *Crawford* 3768, 3769.

Character of the through traffic expected upon the line from Bilaspur to Seetarampur on the completion of the line from Nagpur to Bilaspur; admission that at first there will not be a large local traffic, *Conway-Gordon* 4377-4386——Belief that the foregoing line to Seeterampur will induce a large amount of grain traffic to spring up between the Chattisgarh Division and Calcutta; opinion that the amount of traffic to Calcutta will be sufficient to justify a large expenditure, *ib.* 4380-4391.

Advantage of the Bilaspur line in opening the Umeria or Rewah coal-field; particulars as to the quality and extent of this coal, *Hunter* 7151. 7235-7240——Great importance of the proposed Bilaspur-Etawa Railway in relieving famine in Bundelkund and the northern famine tracts, *ib.* 7151——Fair probability that the portion of the line between Bilaspur and Seetarampur, as distinguished from the other portions, will pay when it is constructed, *ib.* 7284.

Desire of the Government that the Bilaspur and Nagpur line should be made under a limited guarantee; proposal by Mr. Miller on the other hand to make it on the South Mahratta terms, *Hunter* 7388——Impossibility of estimating at present the amount of traffic which may be expected on the line from Bilaspur to Calcutta, *ib.* 7425, 7426.

Documentary evidence and extracts from official correspondence respecting the proposed construction of this line, and its advantages; sanction not yet given by the Secretary of State, *App.* 902, 903. 920.

Birkmyre, William. (Analysis of his Evidence.)—Is sole partner in the firm of Birkmyre Brothers of Calcutta; removal of this firm from Scotland to India ten years since, 3325-3329.

Character of the extensive business carried on by witness, who employs about 5,000 natives, 200 criminals, and seven Europeans; manufactures from this firm sent to all parts of the world, 3330-3335. 3395-3398——Large number of up-country men employed by witness' at Calcutta, the natives readily emigrating if they have an inducement in the way of employment, 3331, 3332——Statement respecting a pamphlet written by Major Conway-Gordon upon the subject of the Indian wheat trade in its relation to railway business, 3336, 3337.

Conclusion that one of the most undeveloped resources of India is her saleable labour; examples illustrative of this view, 3338. 3391-3394——Opinion that railways cannot be extensively extended in the country without State assistance, 3339, 3340——Inexpediency of extending metre gauge lines except as feeders in very isolated districts; belief that this gauge is exceedingly unpopular not only with merchants but with the natives themselves, 3341-3349.

Information generally as to the expediency of extending the railway system in India; importance of keeping railway finance more distinct from the finances of the Empire, 3350-3352. 3359-3374. 3379-3390——Desirability of the Government spending more on railways; proposal that there should be spent in the next seven years what the present limit would give in twenty years, 3352. 3379, 3380. 3386.

Suggestions with reference to the means by which money for railways should be raised; that is, by loan in London, it being the cheapest market, 3353-3358. 3378——Strong opinion that in India the Government should have power to reduce the rates, so that they might be just to the Railway Companies and at the same time a benefit to the public, 3361-3364——Expediency of there being on the Indian Council members possessing practical experience with the working of railways, 3370.

[Second Examination.]—Great importance that the rates charged on Indian railways should be maintained at a low figure; grounds for this conclusion, 3399. 3408-3410. 3460, 3461. 3468, 3469. 3488-3494——Approval of a guarantee of 3½ per cent. being given to the companies and in addition the profits in excess of that guarantee; belief that with this arrangement the capital required would be obtained without any difficulty, 3400-3407. 3434-3442.

Explanation that the advancement of the rates by the Great Indian Peninsula Railway is equivalent to a cessation of traffic to the extent of ten miles on each side of the line, 3408-3410——Statement that the daily wages of coolies in the villages of Bilaspur is as low as 1½ *d.* per day, 3411, 3412. 3476——Desire on the part of the commercial community of India, that lines should be made for commercial purposes and shall be no burden to the country, 3413-3416.

Belief that there is no strong feeling on the part of the natives in favour of an extension of railways, 3417——Statement that America with a much more sparse population is far ahead of India in regard to railways, 3418. 3453-3455.

Report, 1884—*continued.*

Birkmyre, William. (Analysis of his Evidence)—*continued.*

Information respecting the price of wheat in India; conclusion that wheat may be raised with advantage in the Central Provinces at 11 *s.* 8 *d.* per quarter, 3419-3433. 3458, 3459. 3465, 3466——Favourable opinion as to the price at which wheat can be raised in India as compared with America, 3423-3429.

Statement that in India reduction of railway rates always means increased dividend; examples in support of this conclusion, 3436-3438——Assertion that although a railway may not show a large dividend to the shareholders it may still be an enormous benefit to the district and country through which it passes, 3443-3452. 3470, 3471.

Greater accessibility of the Government in regard to the reduction of rates than is the case with private companies, 3460, 3461——Opinion that private companies are preferred by the people of India to the Government lines in regard to traffic arrangements, 3462-3464——Contention that in no sense is it a function of the Government so to impose rates that the export trade should be stimulated, 3468, 3469.

Advantage of a low rate of exchange to the farmer in regard to the price of wheat, 3472-3474——Opinion that the greater part of India requires opening up by railways, 3477——Importance of increased facilities for the transmission of jute and other products from districts at present unserved by railways, 3478-3481——Conclusion that making a railway in driblets is unduly costly, 3482-3484.

Bland Bill. Apprehensions as to the suspension of the Bland Bill which have operated to prevent people in England from taking up loans in silver; probable effect of the suspension of this Bill to cause a fall in the value of silver in India, *Hardie* 2798-2800. 2911-2914. 2921. 2997-2999.

Bombay to Ahmedabad and Delhi. Expediency of the line from Bombay to Delhi by Ahmedabad being constructed upon the broad gauge, *Chapman* 762.

Bombay, Baroda, and Central India Railway. Rates of the Bombay and Baroda line kept low because of the competition by sea all the way, *Bythell* 2624. 2630——Closeness with which the Bombay and Baroda line follows the East Indian in regard to the amount of traffic carried, *Rendel* 5623.

Revenue accounts for each half year from 31st December 1881 to 31st December 1883; *App.* 760, 761.

Statement showing for each year the mileage average age, cost, and general results of working, *App.* 774, 775.

Statistics of the cost of working under different heads, *App.* 798 *et seq.*

Bombay to Calcutta. Great improbability of any through goods traffic on a line between Bombay and Calcutta. *Strachey* 299——Absence of any greater advantage in a direct Calcutta and Bombay railway than there would be in opening out any other district; entire absence of through traffic other than first-class passengers going by the English mail, *Rendel* 5699-5705.

Objections to a line half broad and half narrow gauge between Calcutta and Bombay; belief that the cost of making such a change would be something like a million sterling, *Rendel* 5710-5713.

See also *Nagpur and Bengal Railway.*

Bombay Chamber of Commerce. Excessive character of the extensions proposed by the Bombay Chamber of Commerce and other parties in India outside the Government, *Strachey* 24, 25——Difference of opinion between witness and the Bombay Chamber in regard to their proposal that twenty millions should be spent annually upon railways; contention that ten millions annually is enough, *Lord* 2512, 2513——The proposals of the Bombay Chamber go quite beyond reason, *Conway-Gordon* 3560.

Representations on the subject of the rate of railway progress made to the Government by the Madras and Bombay Chambers of Commerce, *Westland* 4760-4763——Comment upon the proposal of the Bombay Chamber as to the mode of raising the required capital, *ib.* 4762.

Communication from the Secretary to the Chamber of Commerce, Bombay, to the Government of Bombay, dated 16th January 1884, urging on the part of the Chamber the immediate construction of certain lines, without waiting for the sanction of a Select Committee of the House of Commons, *App.* 581.

Letter from the Secretary to the Chamber in December 1883 showing the views of the Chamber as to the importance of an extended system of borrowing for the more rapid construction of railways, *App.* 586.

Memorial of the Bombay Chamber of Commerce containing suggestions in detail respecting the extension of railways, the great importance thereof in the interests of trade, and the facilities required, *App.* 597-603.

Proceedings of the general meeting of the Bombay Chamber, held on the 11th February 1884; views of different members strongly in favour of a large and rapid extension of railways throughout India, *App.* 608-619.

Report, 1884—*continued.*

Bombay Chamber of Commerce—continued.

Reference by the Committee to certain evidence as strongly in favour of more rapid construction, but not to the extent advocated by the Chamber of Commerce of Bombay and Madras, *Rep.* vi.

Bombay Port. Great advantages which the port of Bombay possesses over that of Calcutta, especially in regard to the shorter voyage to all European ports; mercantile intelligence and enterprise also superior to that of Calcutta, *Crawford* 3682-3684. 3710-3716. 3728-3733. 3737-3743. 3831-3833——Larger facilities for conducting the trade from the interior of India to Europe through Bombay than through Calcutta, *ib.* 3683——Statement that the development of Bombay means direct trade with India, and less trade going through England, *ib.* 3831-3833.

Information with further reference to the relative merits of the ports of Bombay and Calcutta; contention that for every reason Bombay must remain always the best port of India as regards Europe, *Crawford* 3898-3909. 3948, 3919.

See also *Calcutta. Exports.*

Bombay Presidency. Suggestions as to the expediency of constructing various lines with the object of opening up the country to the north and south of Bombay; belief that these lines would be not only advantageous to the people, but would be likely to pay, *Ashburner* 6336-6343. 6439-6444. 6487-6492—— Obstacles which exist in regard to the development of traffic in the Western Presidency generally, *ib.* 6345. 6448. 6449. 6466-6470——Statement that at the present time in the Deccan there are considerable districts still available for cultivation, *ib.* 6525——Production of much more grain in the Presidency than is consumed therein, *ib.* 6530.

Particulars respecting the several lines proposed by the Government of India in January 1883, *App.* 524-526. 531.

See also *the Headings generally throughout the Index.*

Branch Lines or Feeders. Statement that the Government have needlessly discouraged companies that desired to construct feeders to their respective systems; contention that on the other hand the companies should be encouraged to construct any extension of their lines which they think fit, *Trevor* 1569-1575. 1585-1587. 1605. 1620-1634. 1759-1762. 1777——Suggestions as to the amended course to be adopted in order to induce private companies to undertake branch lines, *ib.* 1585-1587——Importance that lines which are feeders of systems should be managed as part of such systems, *ib.* 1592.

Opinion that small branches to existing trunk lines would pay handsomely if they were judiciously chosen, *Bullen-Smith* 2363-2366——Believe that the most rapidly remunerative outlay would be on feeding branches to existing lines; though the branches might not pay in themselves, they would pay in the traffic which they would bring on the main lines, *Dickens* 3048. 3117-3124. 3167.

Argument that if branch lines were to be considered as revenue-producing lines on their own basis, the restrictions of the Secretary of State would prevent the construction of any branch line at all, *Conway-Gordon* 3538——Exceptional instances in which lines, which are not trunk lines, are considered to be of primary importance, *ib.* 4112-4115. 4123.

Suggestion that if the Government are to share in the advantages of feeder lines there should be inserted in the contracts a general clause that the companies should construct whatever branches may be required; the necessity of such branches should be a question of agreement between the company and the Government, *Conway-Gordon* 4733-4737.

See also *Gauge.*

Break of Gauge. See *Gauge.*

Bridges. Means of meeting the difficulty as to bridges on the proposed coast line from Calcutta to Madras; system of ferries suggested, *Sir J. Caird* 627-630——Statement that for light broad gauge lines there would be no increased cost for bridges; conclusion generally that the same bridges and the same rails will do for light broad gauge as for narrow gauge lines, *Conway-Gordon* 6815-6824.

Bullen-Smith, James. (Analysis of his Evidence.)—Was formerly a merchant in Calcutta, and was for some years a member of the Legislative Council; represents the views of the East Indian Association in regard to Indian railway extension, 2296-2301.

Opinion that much more may well be done at the present time than has been done in regard to the extension of railways, 2302, 2303——Expediency that in all arrangements with private companies there should be provision that the Government are eventually to become the owners of the railways; grounds for this opinion, 2304, 2305. 2311. 2369-2372.

Advocacy of a system of construction by private companies, with a permanent Government guarantee; importance in each case that the Government should select the scheme, 2306-2310. 2325. 2385, 2386.

Report, 1884—*continued.*

Bullen-Smith, James. (Analysis of his Evidence)—*continued.*

Information generally as to the best means of raising the capital necessary for the proposed railways; belief that the required amount can only be raised in England, 2312-2320. 2328-2337. 2377-2383——Approval of an annual expenditure of six or eight millions; expediency of the Government making lines that, with the exception of famine lines, would prove remunerative, 2321-2324. 2387-2400. 2441-2446.

Desirability of making all the main lines in North Indian upon the broad gauge, 2326——Importance of confining the metre gauge to small systems through hilly districts, and to feeders to the main lines, 2326, 2327. 2373-2376.

Belief that the rates of money in England and India are gradually approximating to each other, although the normal rate of money for purposes generally is considerably higher on that side than on this, 2335——Opinion that very little Indian capital is absorbed in industrial enterprises of any kind; there is an accumulation of capital in India, but it does not go in these channels, 2338-2343.

Information generally in regard to the inevitable loss by exchange involved by borrowing in England, so long as the Indian accounts are kept on the present system; explanation that the loss caused by a rise in the exchange would without doubt fall on India and not on England, 2344-2348. 2401-2411. 2416-2437. 2457-2459. 2447-2456.

Approval of the construction of a line through the Central Provinces, on account of the indirect advantages which it would bring to the Government; belief that such a line would induce a large trade to spring up in that country on account of the increased cultivation of the land, 2349-2358——Sea communication with Orissa only at certain seasons of the year during the fair monsoon; communication by canal also established as far as Midnapur, 2359-2361.

Opinion that small branches to existing trunk lines would pay handsomely if they were judiciously chosen, 2363-2366——Gradual improvement of the traffic returns of the Bengal Central Railway, 2367, 2368.

Dissent from the views of the Chambers of Commerce of Madras and Bombay in regard to the proposal that an immense expenditure be at once undertaken, 2398-2400. 2441-2446.

Explanation regarding the inconvenience experienced last year through the great scarcity of wagons on the East Indian Railway, which resulted in a serious block at Howrah; the chief cause of this block was the insufficient port accommodation at Calcutta, 2413-2415. 2438-2440—— Statement that during the past few years India has been receiving silver very cheaply, and for that reason there must have been in some form or other a great gain to the country, 2457-2459.

Bundelkund. Necessity of the Bundelkund Railway for the purpose of saving that country from famine, *Trevor* 1649——Project on hand at the present time to protect the Bundelkund districts by irrigation; large amount of money already spent upon the Betwa Canal, *Westland* 4917-4919.

Description generally of the character of the Bundelkund country as an example of the meaning of famine tract; gradual decrease of the population in this country since 1853; *Hunter* 7141. 7400-7406——Great importance of a railway for the relief of Bundelkund in the event of famine; statistics showing the enormous amount of food which can be carried to this district by a railway as compared to that brought by carts, *ib.* 7143. 7232-7234——Explanation that millet and not wheat is the staple food of the poorer population of Bundelkund, *ib.* 7404.

Proposals in letter from the Government of India of 22nd July 1881 for the construction of a Bundelkund line, as one of a series of railways for protection against famine, *App.* 492-495.

Burmah (British). The Burmah line is earning considerably more than four per cent., *Trevor* 1805——If the surplus produce of British Burmah can be made available for the famine tracts of India then the problem of famine relief would be nearly solved, *Hunter* 7258.

Bythell, John K. (Analysis of his Evidence.)—Is a merchant carrying on business in Bombay and Manchester, 2605—— Concurs generally in the evidence given on the subject of Indian Railways by Mr. Lord, 2606.

Grounds which amply justify the Government in making new railways to a great extent; statement that there are nine million acres of land in the Punjab which would probably be brought into cultivation if railways were made, 2607-2610. 2704-2710.

Numerous engineering mistakes which were made in India in past days; renewal of portions of the Great Indian Peninsula Railway upon several occasions at a cost of 70,000 *l.* a mile on account of the bridges being washed away, 2608——Contention that the existing surplus revenue from railways should be treated as a reserve for increased expenditure, and not appropriated to lessen taxation in any shape, 2610.

Report, 1884—*continued.*

Bythell, John K. (Analysis of his Evidence)—*continued.*

Great importance of encouraging the cultivation of wheat in India for exportation to England, instead of obtaining it from America; impossibility of developing the Indian wheat trade except by means of railways, 2611——Expediency of increasing the expenditure upon railways by about four millions annually, 2612.

Opinion that the proposed Nagpur and Bengal line is of the first importance on account of its going through a tract of country south of the East Indian line, 2613——Reasons for considering it highly important that a line for famine purposes should be made from Vizagapatam to Raipur, 2614——Considerable saving which would arise in conveying produce to the sea by means of railways rather than by carts, 2614.

Examination as to the control which it is advisable that the Government should exercise over rates; strong opinion that the present Committee should recommend that Government should retain the power, in any new concession, to fix the rates, and not give it up under any circumstances, 2615–2652. 2654–2663. 2666*–2703.

Statement that although Indian cotton is one-half the price it was in 1869, yet the great Indian Peninsula Railway Company are charging more for carriage than they did in that year, 2617–2620—— Rates of the Bombay and Baroda line kept low because of the competition by sea all the way, 2624. 2630.

Higher rates for carriage of wheat charged by the Indian railways than is charged in America, 2625——Opinion that if the rates were reduced the production of wheat in India would be materially increased, 2627—— Argument that the reduction of railway rates will lead to material increase of traffic, 2628–2630. 2636. 2685–2687.

Considerable difference of opinon which exists between the merchants of Bombay and the Great Indian Peninsula Railway Company in regard to rates; indignation meeting called in Bombay on this subject, 2639, 2640—— Contention that the result of the high charges on the Great Indian Peninsula Railway will be that the cotton cultivation will be driven from India to America, 2641, 2642.

Expediency of the Government borrowing money for the construction of railways as State undertakings, rather than that they should give up the control over the rates, 2650—— Disapproval of an arrangement by which the Government should only intervene as regards rates after a definite rate of interest had been paid; belief that such an agreement would be impracticable, because of disputes as to what constituted capital and what revenue, 2651–2653. 2655, 2656.

Statement that fifty-nine millions of passengers travelled on the railways in India during the past year, 2654—— Belief that the exactions by Native Chiefs in the way of customs and transit duties are being generally reduced, 2664–2666——Endeavour on the part of the municipalities throughout India to levy transit dues for municipal purposes until stopped by the Government, 2665, 2666.

Explanation that the lower rates on other lines than on the Great Indian Peninsula are probably owing to the sea and river competition with which they have to contend; impossibility of introducing a line to compete with the Great Indian Peninsula, 2669–2674—— Considerable injury to cultivators on the Great Indian Peninsula line, inasmuch as a large proportion of the price obtained in Europe for their produce goes for railway rates, 2681.

Further consideration of the means to be adopted for raising money for the construction of the proposed lines; grounds for the opinion that it is of no use to look to India for any portion of the capital, 2711——Strong objection to breaks of gauge on the Indian Railways, 2711, 2712—— Contention that the metre gauge should be entirely confined to self-contained systems, 2711, 2712——Belief that the working of broad gauge traffic is less expensive than of narrow gauge working, 2711.

C.

Cachar. See *Chittagong.*

Cachar-Golaghat-Debrugarh Railway (*Assam*). Length and cost of this project, as proposed by the Government of India to be left to private enterprise, *App.* 530.

Caird, Sir James, K.C.B. (Analysis of his Evidence.)—Witness was the English member of the Indian Famine Commission, in which capacity he traversed a large portion of the country, numerous witnesses having been examined and evidence taken in different localities, 375.

Strong recommendation in the Famine Commission Report that railways should be extended as the chief means of providing succour in times of famine, 376, 377—— Excessive cost of transport by cart as compared with railway transport, especially during famines, 377——Fulfilment practically of the recommendations of the Famine Commissioners up to the present time as regards the annual rate of extension, it having been proposed to construct 10,000 miles at the rate of 400 miles a year, 377–379.

Report, 1884—*continued.*

Caird, Sir James, K.C.B. (Analysis of his Evidence)—*continued.*

Several circumstances which are now favourable to more rapid extension than was proposed when the Famine Commissioners reported; better financial condition of India, whilst the cost of construction has greatly fallen, 380–384——Great benefit anticipated as regards diversity of employment from the extension of railway, 381. 432, 433——Views of Sir Charles Wood in 1861 as to the exceeding importance of works of irrigation, &c., 381–383.

Exception taken to the distinction drawn in the Despatch of the Government of India of 23rd January 1883 between productive and protective lines, 384–386——Evidence strongly in favour of the construction in the first instance of productive lines, through populous districts, before unproductive lines are undertaken; grounds for concluding that this is the most effectual plan for saving life in times of famine, 384–388. 417–430. 503, 504——Dense population in several districts which have suffered from famine; instance in the case of Orissa, 316. 403. 503, 504.

Costly construction where lines have been guaranteed by Government, there being room for much reduction, 389, 390——Insufficient time hitherto for testing the financial results from the State lines, 390——Very indifferent success which has attended the plan of raising capital through private companies without the same guarantee as in the case of the older lines, 390, 391.

Conclusion that if there be any risk in respect of new lines the Government must accept it, it being financially unwise to induce English capitalists to enter upon unsuccessful railway speculations for the benefit of India, 391. 393——System of grants of land to companies in the United States in order to facilitate their raising capital for the lines, 391, 392——Practice in Australia for the several Governments to make their own railways with capital borrowed in this country; successful working of the arrangements, 391. 393.

Evidence as to the advantages to be derived from the construction and control of railways in India by the Government, or rather by the several Provincial Governments 393–398——Expediency of Government control and adjustment of the rates, 393——Opinion that it is not desirable to construct so rapidly as is proposed by Government, and that it would suffice if in the next four years 5,000 miles were made; annual cost involved, 396——Favourable time at present for economical construction, 398.

Inconvenience and disadvantage in there being only one line (the East Indian) for the conveyance of the immense traffic in grain, &c. to Calcutta, 399–401——Suggestion that about 1,000 miles of broad gauge would complete the great through lines, 402. 453–456——Proposed use of the metre gauge for feeders to the main line 402. 408. 516——Advantage in the employment of able-bodied natives in the construction of lines in famine time, 402.

Great importance attached to a line for the protection of Orissa from the effects of famines, which have been most disastrous in that district; suggested extensions so as to provide a direct line from Calcutta to Madras, 403–406——Sufficiency of the metre gauge for the proposed line to Cuttack in Orissa, with extensions along the Madras coast; probability that a narrow gauge line would pay, 403–406. 516.

Great hindrance to the traffic when there is a break of gauge on a main or through line, 407. 409——Expediency of the line from Bombay to Nagpur being continued thence to Calcutta as a broad gauge line, 407——Sufficiency of the narrow gauge for providing relief in time of famine, 408.

Improbability of American wheat competing successfully with Indian wheat in the British markets if wheat can be produced in India at the reduced cost of 12 *s.* a quarter, as now stated by the Indian Agricultural Department, 410–412——Considerations as to the relative cost of carriage of wheat to the sea coast in America and in India, 412——Better quality of the finer American wheats than of the finer wheats of India, *ib.*

Great development expected in the produce generally of India from the extension of railways, 413——Witness is not so sanguine as many people about the increased produce and export of wheat; very favourable seasons in recent years, which cannot be relied upon to continue, 413. 457–477. 533–550——Increase of the population at a rate sufficient in two years to absorb the annual export of wheat, 413. 494–496.

Larger proportionate increase in the value of exports from India since 1873 than in the case of any other country; particulars heron, 413——Better position of India for resisting famines the more she is induced to grow rice, wheat, &c., by an increased foreign demand, *ib.*——Increasing apprehension of foreign countries in respect of the growing export trade of India; illustration in the case of Italy, 413. 502.

Reference to the cost of construction of railways, per mile, in France, the amount of public debt per head of population, and the population served by each mile of railway, 414—— Details respecting the great development of railways in the United States notwithstanding the sparse population in some districts, 414–418.

Further

Report, 1884—*continued.*

Caird; Sir James, K.C.B. (Analysis of his Evidence)—*continued.*

Further objection to the construction of unproductive lines in India with borrowed money, until the more populous districts are first served, 417-430. 439. 543-545—— Localities of different famines adverted to in connection with the question of population: greater advantage of protective lines in the more thickly populated districts, 419-426 ——Prospect of ultimate remuneration wherever the soil is cultivated and there is much produce as well as passenger traffic to be carried, 427-430.

Effect of extended railway facilities not only in stimulating production but in leading to an increase of manufactories, 431-435——Advantage of the lower rate at which capital could now be raised for Indian railways than in 1878-79, whilst the cost of construction would be much less, 436-438—— Importance of the Madras lines for the prevention of famine, though they have not been remunerative; very heavy cost of construction, 440-442——Costliness also of the Sindh, Punjab, and Delhi line, though it is very useful for famine protection, 443.

Illustration in the case of the East Indian Railway of the great value of lines through populous districts sometimes visited with famine, 444-446——Very little disposition among the natives to emigrate from one district to another, 447——Discouragement of English capitalists from investing in new enterprises as some existing lines have proved unremunerative, whilst the best routes are already taken up by other lines, 448–450. 543-545.

Prospect of considerable extension with financial success by reason of the much lower capital outlay required than in former years; average of 13,500 *l.* per mile as the cost of existing railways, whilst lines can now be made for less than half that amount, 451, 452 ——Belief as to the cost of narrow gauge lines being fifty per cent. less than that of the broad gauge, 451. 497-499—— Suggested broad gauge line from Benares to Calcutta, through the coal region, about 400 miles long, 453, 454. 567——Further approval of the Bombay and Nagpur line being completed to Calcutta, on the broad gauge; considerable local traffic expected, 455, 456. 485-487.

Further consideration of the cost of production of wheat in different parts of India; opinion that this is nearer 18 *s.* 6 *d.* than 12 *s.* a quarter, 457-468. 517-521. 560—— Improbability of successful wheat export to England at the present prices, 469, 470—— Very small export of wheat and rice, as compared with the surplus grain produce of the whole country, 471-477. 494-496.

Examination as to the relative conditions of India and of America in respect of traffic, population, &c., with reference to the question of railway extension in each country, 478–484. 531, 532——Improvement if railway competition were feasible in India, as in the United States; difficulties in the way, 488-493. 513——Conclusion as to the necessity of borrowing for Indian railways in England, as being the cheapest market, 488.

Advantage if the Government had command of all the railways in India; efficient Government administration in Australia, 492, 493. 505-515——Question considered as to the saving by adopting the narrow instead of the broad gauge, for the proposed coast line between Madras and Calcutta, 497-500——Contemplated use of ferries (as in America) instead of costly bridges over large rivers in districts where the traffic is not large, 500, 501.

Conclusion that Government being obliged to run the risk in connection with guarantees, and the raising of capital, had better take over the administration and the profits; facility by dividing the administration among the provinces, 505-515. 546, 547—— Approval of the broad gauge generally, if the difference in cost is only ten per cent., 516. 635.

Effect of increased prices in inducing increased cultivation of wheat, whilst an extension of railways would also tend to increase the production and the export, 517-529. 533-540. 563——Explanation that two-thirds of the people of India live upon grain, other than wheat, and only one-third upon rice, 528.

Mileage of railways in proportion to population in the principal countries of the world; fifty times less accommodation (as measured by population) in India than in Australia, 530——Interference with native industries by the introduction of English fabrics, 541, 542—— Grounds for concluding that as regards cost of transport of wheat, &c., by railway, the rates in India assimilate to the low charges in America, 548-554.

Failure hitherto of efforts to raise capital in India for railways, so that guarantees in one form or another have been resorted to, 555-559——Consumption by cultivators of the cheaper grains, wheat being sold in payment of rent and labour, 561, 562——Extremely good cultivation in many parts of India; witness has seen some admirable cultivation of tobacco and sugar cane, 564, 565——Practice of burning manure as being the readiest and cheapest fuel; very important experiment to the effect that the ashes of burnt manure give a better crop than is given by the manure in a fresh state, 566——Immense value of railways for the development of coal and iron, 567, 568.

Grounds for the conclusion that, on the whole, famines have been more severe in densely than in sparsely populated districts, 569-575——Nature of the facilities for the

Report, 1884—*continued.*

Caird, Sir James, K.C.B. (Analysis of his Evidence)—*continued.*

relief of famine in Madras and Southern Bombay; favourable situation of Madras for receiving supplies by sea, 576-579——Conclusion further expressed that Government should for some years to come confine their financial risk to construction in the more populous and productive districts; reluctance of the public to take the risk, 580-584 —— Much less risk attending railway extension in America than in India, 585-587.

Great importance further attached to a line from Calcutta to Madras, passing through and connecting the rich country of Orissa with the country of the Godavery and the Kistna, 588-593. 660—— Doubt as to much advantage from the provision of storage for wheat at places where there is a break of gauge, 594-597.

Facility with which the Government might raise, for the next six years, 3,000,000 *l.* a year in the London market, at a low rate of interest, in addition to a similar expenditure out of the revenues of India, for the extension of railways, Government taking all the risk and all the control, 598-603——Explanation that witness does not propose a larger expenditure than 6,000,000 *l.* a year, so as to include outlay on irrigation works, 604-610——As regards protection against famine, irrigation works are quite secondary to railways, 607.

Result of past experience that the required capital cannot be obtained from the people of India, or from private sources, so that the State should provide it, 611, 612—— Doubt as to what being produced to such an extent as to exhaust the soil; power of applying manure if there be increased cultivation through higher prices, 613. 642——Very remunerative results from sugar cultivation, the soil being highly manured, 611-613.

Explanation that in advocating administration and management by each province, aided by able officers, witness does not imply that the Public Works Department at Calcutta should be abolished, 614-616. 634.

Examination as to the population and produce of the districts through which the new lines advocated by witness would run; consideration of objections on certain points 617-631——Value of the proposed line from Benares to Calcutta as giving an additional outlet to the fertile Gangetic plain; obstacle to this result being satisfactorily secured by means of the East Indian Railway, 619-623——Means of meeting the difficulty as to bridges on the proposed coast line from Calcutta to Madras, 627-630.

Further statement as to the advantage of giving employment on new lines in time of famine, 632, 633——Use to be made of the resources and credit of India in connection with a system of administration by the different provinces, 634—— Large tracts of country suitable for wheat cultivation, where there is irrigation, 636-638. 643-645——Extensive area under wheat, the extent of cultivation depending chiefly on the price in England, 639-641——Probable causes of the low railway rates in America, notwithstanding the dear labour used in construction, 646.

Explanation with further reference to the reasons for suggesting that the extensions for the next four years shall be at the rate of 1,250 miles a year; this is threefold the average of the last ten years, 648-659——Prudential reasons, other than financial considerations for not proposing a more rapid rate of construction than 1,250 miles yearly; probable disturbance of the labour market unless the construction be distributed over different districts, 654-664.

Circumstance of one-half of the average expenditure of India during the last ten years having been provided out of other sources than taxation, such as the land revenue and opium duty, 658——Further statement as to the advantage of construction in time of famine, so as to give employment, though in any case the more populous districts should first be protected, 665-670.

Probability of wheat being substituted for other less paying crops, if its price should rise, rather than of new land being brought into cultivation, 671-675——Opinion that inclusive of rent, labour and other charges, the cost of growing wheat in India may fairly be taken at 19 *s.* or 20 *s.* a quarter, 676-685.

Probability of construction by companies not requiring much Government control if the guarantee were limited to a fixed amount of capital, 686-691——Grounds for the opinion that railway extension is very advantageous as leading to diversity and increase of employment, 692-695. 698——Increased facilities for dealing with famine in localities through which railways pass, though they may cause an increase of population to be protected, 696-698.

Further consideration of the advantages of private enterprise in America, witness fully approving of construction and working by companies in India if it were practicable, 699-706—— Doubt as to the expediency of following the precedent in the case of the East Indian Railway with respect to enlisting companies in the management, 704-708 —— Limited experience of witness as regards the actual results of the working of the State railways or of guaranted lines, 709, 710.

Calcutta.

Report, 1884—*continued.*

Calcutta. Strong efforts at Calcutta to keep up with Bombay in regard to appliances for the port; construction by the East Indian Railway Company of an embankment 2,000 feet long on the Hooghley, *Crawford* 3682, 3683. 3710, 3711——Statement that both the freight and the insurance from Calcutta are higher than from Bombay, *ib.* 3712-3716. 3728-3733. 3948, 3949——Absence of competition between Calcutta and Bombay in regard to the export trade; very large competition between the two ports in conducting the import traffic, *ib.* 3741.

Argument against the concentration of railways into Bombay rather than into Calcutta, the latter port having a large and growing business with the Australian Colonies and China, which must be considered as well as that of Europe, *Crawford* 3902-3904.

See also *Benares to Calcutta. Bombay to Calcutta. Bombay Port. East Indian Railway. Exports. Madras (Coast Line). Nagpur and Bengal Railway.*

Calcutta Port Trust. Law recently passed by the Bengal Council to enable the Calcutta Port Trust to borrow in London, which previously it had not been possible to do; explanation that this is merely a permissive law which enables such bodies to borrow in the London market if the Home Government approve, *Waterfield* 6161-6170——Undertakings upon which it is proposed to spend four or five millions by the Port Trust and the Municipality, *ib.* 6161-6171.

Calcutta and South Eastern Railway. Obligation upon the Government as to taking over the Calcutta and South Eastern Railway, after having paid a great deal of money under the guarantee, *Strachey* 242, 243.

Revenue accounts for each of the years 1881-82, 1882-83, and 1883-84, *App.* 751-753——Administrative transactions for the above years, *ib.* 754. 756. 758——Revenue accounts for each half year from 31st December 1881 to 31st December 1883, *ib.* 762-765.

Statement showing for each year the mileage, average age, cost, and general results of working, *App.* 775.

Campbell, Sir George. Opinion of Sir George Campbell, when Chief Commissioner of the Central Provinces, that we should look rather to the development of traffic by the railway than to provide for an existing traffic; that is, with reference to a certain line for connecting the Central Provinces with Southern India, *Conway-Gordon* 5381-5383.

Canals. Great importance of canal extension, which for various reasons is much more economical than railways for conveyance of inland traffic, *Wood* 2290-2294.

Statement of canal expenditure on capital account in each year since 1867-68, *App.* 726, 727.

See also *Irrigation.*

Capital (Railway Extension):

Limit to the amount which capitalists are prepared to lend to Government for railway extension; that is, unless the rate of interest on loans be increased, *Strachey* 9-12——Argument that the capital debt in respect of railways and other public works should never be so increased that the net charge upon it should exceed what may be considered a reasonable sum to be applied from the public revenue to stimulate the extension of public works, *ib.* 12, 13.

Grounds for concluding that by offering slightly better terms than were given to the South Mahratta Company, Government will obtain the required capital even with the condition that they may purchase the lines at the original capital price; prospect of speculators coming forward in the first instance, *Strachey* 81-89——Necessity of some contribution from the revenue of India in order to obtain capital for railway extension, the question being as to the most efficient method, *ib.* 283-287.

Prospect of considerable extension with financial success by reason of the much lower capital outlay required than in former years; average of 13,500 *l.* per mile as the cost of existing railways, whilst lines can now be made for less than half that amount, *Sir J. Caird* 451, 452.

Failure hitherto of efforts to raise capital in India for railways, so that guarantees in one form or another have been resorted to, *Sir J. Caird* 555-559. 611, 612.

Desire of some influential capitalists in London to obtain certain concessions and guarantees from Government, by means of which the required capital may be raised, *Anderson* 715, 716. 720. 734.

Further statement as to speculators being likely in the first instance to take up stock in new undertakings, issued under certain conditions, in the expectation of investors coming in subsequently; instance in the case of the Nizam's railways, *Strachey* 1196-1206.

Belief that there need be no difficulty in raising sufficient capital for the purpose of largely extending Indian railways, *Clarke* 2268, 2269.

Suggestion generally as to the steps which ought to be taken for the purpose of obtaining

Report, 1884—*continued.*

CAPITAL (*RAILWAY EXTENSION*)—continued.

obtaining capital for the schemes; opinion that to make sure of floating new companies there should be a Government guarantee of 4 per cent., *Dickens* 3065-3077. 3183-3186. 3225-3228. 3238-3249. 3258-3270——Conclusion that the Government of India cannot rely upon public companies to supply any large amount of capital, except with a substantial guarantee, *ib.* 3305-3308. 3311-3317.

Causes of the disinclination of the English money market to invest in Indian railway without Government guarantee, *Conway-Gordon* 4307-4309——Statement to the effect that the larger part of the capital raised in India for railways is held by Europeans, *ib.* 4475-4477. 4481-4483.

What is required for the construction of Indian railways is an investing and not a speculating class, *Rendel* 5640.

Statement showing the amount of capital raised to the end of each year, and the annual amount withdrawn for expenditure since 1858, *App.* 750.

See also *Cost of Construction. Expenditure. Guaranteed Railways. Loans. Private Enterprise. Savings Banks.*

Carriages (*Rolling Stock*). See *Engines and Rolling Stock.*

Carts (*Native Transport*). Excessive cost of transport by cart as compared with railway transport, especially during famines, *Sir J. Caird* 377——Decided opinion that railways do not displace any of the native industries in connection with carriage; contention on the contrary that native carriers are more constantly employed as the result of a railway coming through a district, *Glover* 1953. 2000, 2001——Considerable saving which would arise in conveying produce to the sea by means of railways rather than by carts, *Bythell* 2614.

Cawnpur. Belief that the proposed line from Cawnpur to Bhopal ought to pay on account of the through traffic, rather than from the local traffic, *Dickens* 3163-3166——Proposed famine line from Cawnpur to Jhansi, *Westland* 4751—— Desirability of a line to Cawnpur through Godea and Gwalior, with the object of serving the immense district between the Great Indian Peninsula and the Rajpootana lines, *Ashburner* 6336-6339. 6478-6486.——*See* also *Bhopal to Jhansi, Gwalior, and Cawnpur.*

Cawnpur-Farakhabad Railway. Statement showing for each year the mileage, average age, cost, and general results of working, *App.* 777——Statistics of the cost of working under different heads, *ib.* 798 *et seq.*

Central Provinces. Approval of the construction of a line through the Central Provinces on account of the indirect advantages which it would bring to the Government; belief that such a line would induce a large trade to spring up in that country by reason of the increased cultivation of the land, *Bullen-Smith* 2349-2358.

Views of Sir George Campbell, when Chief Commissioner of the Central Provinces, as to the expediency of a certain line connecting these provinces with Southern India, *Conway-Gordon* 5381-5383.

Particulars respecting the several lines proposed by the Government of India in January 1883, *App.* 524-526. 529, 530.

Centralisation. Immense extent of India, and enormous business involved in the management of the railways, so that their administration by a central Government authority or Railway Commission would be little short of absurd, *Strachey* 31, 32.

See also *Administration and Management. Provincial Governments.*

Chambers of Commerce. Dissent from the views of the Chambers of Commerce of Madras and Bombay in regard to the proposal that an expenditure of sixty millions should be undertaken in a limited period, *Bullen-Smith* 2398-2400. 2441-2446.

See also *Bengal Chamber of Commerce. Bombay Chamber of Commerce. Madras Chamber of Commerce.*

Chapman, F. S. (Analysis of his Evidence.)—Long experience of witness as an Indian Civil Servant; he is a Director of three Indian Railway Companies, 737-739.

Decided opinion that the extension of railways in India has not been carried on so rapidly as it ought to have been; the Indian Government have, in fact, been wanting in courage in this respect, 740. 875—— Desirability of raising the necessary capital by means of private companies; expediency at the same time of the Secretary of State being free to utilise both the agencies of State railways and of companies according to circumstances, 741-743. 901, 902.

Grounds for the opinion that if it be decided to extend railways in India the Government should not incur any risk whatever in the matter; steps which should be taken to induce the public to come forward to make the proposed lines, 744-746. 786-800. 810-820.

Valuable statistical information respecting Indian railways given in the "Gazette of India,"

Report, 1884—*continued.*

Chapman, F. S. (Analysis of his Evidence)—continued.

India," 745. 881——Considerable ignorance of the English people in regard to the circumstances of Indian railways, 744. 879–881.

Statement that the charges of delay in regard to the construction of the line from Bhopal to Cawnpur and Gwalior have been much exaggerated; explanation that the delay which did occur was owing in a large measure to the dual control exercised by the Government and the Company, 747–750. 782.

Information respecting the unsuccessful proposals made by the directors of the Great Indian Peninsula Company to the Indian Government to construct the line from Bhopal to Gwalior and Cawnpur without any guarantee; subsequent proposal that a limited guarantee should be given by the Government, 751–760. 821–835. 900——Assertion that if the proposal of the Great Indian Peninsula Company had been accepted the line would have been completed by the present time, 755. 768–775.

Undoubted opinion that all through communication lines in India should be on the broad gauge; contention that it is fatal to attempt to interpose a different gauge in great arterial communications, 761-764. 873, 874. 935, 936——Expediency of the line from Bombay to Delhi by Ahmedabad being constructed upon the broad gauge, 762.

Belief that on the South Mahratta line, which is a self-contained system, the metre gauge is very suitable, 763——Opinion that the projected lines to Assam and Chittagong might with advantage be made on the metre gauge, 764.

Statement that there is nothing prejudicial to the development of trade and commerce in the presence of Government directors on the boards of private companies, 765–767. 783-785——Belief that, as a general principle, the management of railways is carried out better by private companies than by the Government, 776–781——Delay in many respects incidental to dual control by the Government and the companies, 782.

Explanation that the guarantee proposed to be given is only nominal; brief period of nursing and development only required in the case of Indian railways, 787–791——Statement that the cost of Indian railways is at the present time about one-half of what it was formerly; one of the chief causes of this cheapness of construction is the decreased price of materials, 796. 800. 807-809. 836-844. 854–861. 937–939.

Decided opinion that no line should be constructed which within a reasonable period would not pay 4 per cent. upon its cost; exception to this rule in regard to strategical and protective lines undertaken by the Government upon their general credit, 797–800.

Extraordinary effect which railways have had in developing the resources and increasing the prosperity of India; large increase in the rate of wages on account of the introduction of entirely new employments, 802-806. 876–878. 903–905——Extensive tracts of country brought into cultivation by railways passing through them, 803.

Average of 20,000 *l.* a mile as the cost of the Eastern Bengal Railway when constructed, 808, 809—— Necessity for special arrangements and negotiations between the Government and private companies in the event of a line being deviated for strategical or protective purposes; belief that the interests of the commercial line to be made would not be antagonistic to those of the strategical line, 845–853.

Opinion that there is at the present time a much better supervision of the money spent upon railways than existed formerly; more complete audit of expenditure also than was the case in the earlier days of Indian railways, 857, 858——Statement that in former years the whole of the platelaying was done by Englishmen, whilst it is now done by native workmen, 860, 861——Explanation that when the Great Indian Peninsula Railway is extended from Nagpur to Calcutta, the total distance between Bombay and Calcutta will be shortened by about 200 miles, 862, 863.

Evidence respecting the advantages of the proposed Bhopal and Cawnpur line; valuable opinion given by Sir Lepel Griffin in regard to the probable development of the country through which it would pass, 864-871. 891–899. 926. 966–969——Special importance of the Bhopal line that it will bring Northern India into direct communication with Bombay, 866—— Statement by the Government of India that it would be fatal to construct the line from Jhansi to Manikpur upon any other than the broad gauge, because it would connect the Bhopal line to Cawnpur with the East Indian Railway, 871.

Belief that the proposed Nagpur line will be a most valuable trunk railway, and will prove to be the postal line between Europe and Calcutta, 872——Distinct check which railway extension has received of late owing to the Government not having given the encouragement which they promised to do, 877, 878. 887–890——Anticipation that the time is not far off when private English enterprise will freely undertake Indian railways without State aid in any form, 882–886.

Explanation as to the cause of the unwillingness of the Home Government to carry out what was the obvious wish of the Indian Government in regard to the Bhopal, Gwalior, and Cawnpur line; belief that one reason was that the proposal was inimical

Report, 1884—*continued.*

Chapman, F. S. (Analysis of his Evidence)—*continued.*

to the East Indian Railway, which is the property of the Government, 891–899. 927. 970-986. 1019–1024.

Strong opinion that the general condition of the people of India has been materially improved by means of the railways; example of this shown by the enormous hoards of silver ornaments brought to the Mint to be converted into rupees when the famine occurred, 903–905——Disapproval of placing any limit on the borrowing powers of the Indian Government for the purpose of railways, 906.

Further statement that the delay in obtaining engines for the Bhopal Railway was an inevitable incident of the inconvenience of dual control; belief that the engines cost more than they would have done had they not been required so hurriedly, 908. 932-934.

Additional evidence with reference to the proposals made to the Government in regard to the construction of the line from Bhopal to Gwalior and Cawnpur; decided opinion that money for this line could not now be raised without a guarantee, 908–913. 948–951. 979.993–1010. 1017–1019. 1039–1041.

Information with further reference to the necessity, in the case of railway extension, of State guarantee; opinion that the guarantee should take the form of a subsidy, every shilling of which should be repaid to the Government when the corner was turned and the line was profitable, 914–917. 922. 987–992. 1014–1016——Belief that the Bengal and North Western Railway is in as good a condition as ever it was, notwithstanding that its 4 *l.* shares are now to be had for 3 *l.* 10*s.*; 918–921.

Contention that it is immaterial whether loans are raised in India in silver or in gold in India; explanation that borrowing in silver is entirely nominal, as it does not represent a payment on the part of the people who use silver, 923–925.

Further observations regarding the effect of dual control on the management; explanation hereon as to the control exercised by the Government over the rates, 928–931. 1025–1038——Argument that if the Indian railways, notwithstanding such disadvantage as the loss of back interest and losses on exchange, can earn 4 per cent., it is a strong reason to go on increasing their number, 940–942.

Contention that as regards commercial lines, the Indian Government should not undertake any guarantees unless they are convinced that within a certain number of years the lines will pay at least 4 per cent., 952–965——Statement that the change which has taken place in the Government policy regarding guarantees and railway extension has led to considerable loss of money by influential men in the City of London, 979, 980.

Further explanation as to the terms of the limited guarantee which was proposed to the Government in the case of the Bhopal line; condition proposed by the Government that after ninety-nine years the line should lapse to themselves, 993–1013——When the last proposal was made to the Government for the construction of the Bhopal Railway, they did not accept the terms, but imposed the same conditions as were in force with the Bengal and North Western Company, 1006.

Chattisgarh District. Expediency of extending the railway from Nagpur to Bilaspur towards the Chattisgarh district, *Trevor* 1647——Negotiations with regard to the Chattisgarh and Nagpur line postponed by the Secretary of State until the Report of the present Committee is received, *Westland* 4853, 4854——Opinion that the line between Chattisgarh and Calcutta will be a paying line, but will in no sense be protective, on account of the sparseness of the population, *ib.* 4891 4898.

Examination regarding the grain-producing districts of India and their power of supplying sufficient food in the event of famine; statement that the Chattisgarh district is the nucleus of the food-producing country, *Hunter* 7140–7143. 7190–7192. 7252–7282. 7389–7415——Annual production in the Chattisgarh country of 241,000 tons of grain more than its population consumes, *ib.* 7140. 7148–7149*. 7393, 7394.

Explanation that the fertility of Chattisgarh country is partly due to the rich soil, but chiefly to the fact that it has the most uniform and trustworthy rainfall in India, *Hunter* 7140. 7166, 7167. 7309–7311——Generally less price of the wheat which is raised in the district, *ib.* 7140. 7142, 7143. 7190–7202. 7210. 7303–7305. 7389–7393.

Explanation that the surplus produce of the Chattisgarh district would feed about a million-and-a-half of people annually, and that during a famine it is a very small part of the population which so requires feeding, *Hunter* 7259-7261——Impossibility for the existing railway to carry away the surplus produce of the Chattisgarh district, for the reason that the cost of cartage is so great that it will hardly pay, *ib.* 7266–7270——Grounds for the opinion that the wheat of Chattisgarh would find its way partly to Calcutta and partly to Bombay, *ib.* 7278–7282.

Statement that at the present time, in the absence of railways, the surplus of 240,000 tons of wheat struggles outward from the Chattisgarh district by cart traffic, partly to the Nagpur Railway, and partly to Jubbulpur, *Hunter* 7393–7399.

See also *Vizagapatam-Raipur Railway.*

Report, 1884—*continued.*

Chittagong. The projected line to Chittagong might be on the metre gauge, *Chapman* 764——Importance of the Chittagong line, with an extension to Assam, *Trevor* 1583——Desirability of constructing a main line from Chittagong into Cachar, possibly to be ultimately extended to Assam; belief that such a line would pay if it were cheaply made, *Dickens* 3151-3156.

Civil Services (India). Statement of the net disbursements of the Home Treasury of the Government of India in respect of the Civil Services in each year since 1867-68; *App.* 696, 697.

Clarke, Hyde. (Analysis of his Evidence.)—Is a Civil Engineer and is intimately acquainted with Indian railways; has published various papers on the subject of management of railways in India, 2264, 2265.

Grounds for considering it expedient to extend the railway system in India on a large scale, and to expend from fifty to sixty millions in the next five years, 2266, 2267. 2270——Belief that there would be no difficulty in raising sufficient capital for the purpose of largely extending India railways, 2268, 2269——Opinion that an extension of railways would not only lead to a higher rate of wages but would materially benefit the condition of the country in every way, 2270-2273.

Coal. Immense value of railways for the development of coal in India, *Sir J. Caird* 567——Information as to the character to the coal in the neighbourhood of the Rewah Valley, *Glover* 2098-2105. 2133, 2134.

Great advantage possessed by the East Indian over the Great Indian Peninsular Company as regards the price of coal; the cost to the former Company is at the rate of 1 *d.* per ton per mile, whilst to the latter it is from 5 *d.* to 6 *d.* per ton, *Crawford* 3745, 3746. 3950-3953. 3957——Opinion that a line in connection with the Rewah coal-field worked as a State line would pay its expenses, *ib.* 3770, 3771——Impression that the coal lately obtained from Warora is of inferior quality and the supply inadequate, *ib.* 3955, 3956——Coal carried by the East Indian Railway to Jubbulpur for the use of the Great Indian Peninsula line; carriage of this coal only charged, as the coal-fields do not now belong to the Company, *ib.* 3988, 3989.

Explanation that when the coal is in full working there will be branches into the coal fields from the line from Bilaspur-Etawa, *Conway-Gordon* 5428——Inferior character of the Wardha coal; doubt as to the Hyderhabad Railway being much required for its conveyance, *Rendel* 6013-6018——Advantage of the Bilaspur line in opening the Umeria or Rewah coal-field; particulars as to the quality and extent of this coal, *Hunter* 7151. 7235-7240.

Reference by the Committee to the value of railway extension as regards the opening up of coal-fields, *Rep.* vii.

Coke, Henry. (Analysis of his Evidence.)—Long and intimate knowledge of India possessed by witness, who was for many years connected with the Public Works Department of Bombay; he represents the opinions of the Liverpool Chamber of Commerce in regard to Indian railways, 1251-1255.

Information respecting the Engineering College at Poonah, of which institution witness may be called the father; statement that many of the natives who were trained there are now holding responsible positions as executive engineers and as contractors, 1253. 1407-1409. 1506-1509.

Explanation that Liverpool is the port of import for the greatest amount of Indian produce, 1256-1258——Opinion that there would be an enormous increase in the export of Indian produce, if railways were more extensively constructed in that country, 1259.

Examination with reference to the great development of the wheat trade in India during the past five years; belief that if railway accommodation were extended, Indian wheat would compete in the English market with that of any other wheat growing country, 1260-1268. 1315-1331. 1395-1399. 1418. 1422-1424. 1455-1458——Grounds for believing that an increased export of wheat would not tend to diminish that of other articles of commerce, 1266. 1395-1397.

Resolution passed by the Liverpool Corn Trade Association in favour of Railway extension in India, 1267——Contention that the Government in India should be the proper judges as to the proposed expenditure of fifty or sixty millions on railways; expediency of limiting the control of the Secretary of State over the Indian Government, especially in financial matters, 1269-1273. 1400-1403. 1427-1430. 1544-1550. 1554-1556.

Consideration of the subject of raising money for the construction of Indian railways; assertion that the capital required cannot be raised in India, 1274-1280. 1288-1290. 1334-1340. 1350-1363. 1368-1370. 1392——Statement that the public in England trust the credit of the Indian Government much more than they do that of many foreign Governments in regard to investments, 1278-1280.

Report, 1884—*continued.*

Coke, Henry. (Analysis of his Evidence)—*continued.*

Opinion that fifty millions in five or six years is a comparatively small sum for the London market to find, 1279, 1280——Conclusion that the construction of railways for protective or strategic purposes should be undertaken by the State; belief that works undertaken by the Government are quite as efficient and economical as those carried out by private companies, 1281-1283. 1404-1406

Inexpediency of enlarging to any great extent the Public Works Establishment; necessity in such an event of pensioning off, after a few years, a large number of engineers, 1283. 1406. 1425, 1426.

Examination with reference to the amount of control which it is expedient that the Government should exercise over the management and rates of private companies; feeling of the Liverpool merchants that it is a dangerous system to hand over the traffic of India to private companies without a firm hold being kept by the Government, 1285-1287. 1301-1306, 1371-1378. 1384-1391——Great advantage in the Government giving a permanent guarantee, so that they might thereby retain the necessary control over the companies, 1287. 1301-1303. 1334-1337.

Reference to the subject of loss by exchange as a difficult problem; question whether, if the taxpayers of India lose from three to four millions annually in remitting money to pay interest in this country, they do not, on the other hand, gain by the enormous increase of exports, 1291. 1340.

Information generally as to the gauge most suitable for Indian railways; indifference of the Liverpool merchants as to the particular gauge, so long as there is no break of gauge, 1292. 1308-1311. 1343-1349. 1413-1417. 1510, 1514——Absence of objection to the metre gauge upon feeder lines, or what may be termed local lines, 1294.

Opinion that the Rajpootana line, between Bombay and Delhi, should be made broad gauge, 1295, 1296——Expediency of the new line from Bhopal to Gwalior and Cawnpur being constructed on the broad gauge; grounds for this opinion, 1297.

Importance of the new direct route from Bombay to Calcutta, *viâ* Nagpur, being upon the broad gauge, 1297. 1300——Contention that it would be very bad policy for the Government to grant two railway companies permission to traverse the same country and to work against each other, 1307.

Grounds for the opinion that it would be well that all the metre gauge lines should be altered into broad gauge; belief that if this be done, the traffic will be largely developed, 1310, 1311——Approval of the management of Indian railways by military engineers, 1312, 1313. 1471——Expediency of the Government giving ten or twenty Indian appointments annually to Cooper's Hill College; belief that this would be an inducement to pupils to go for the final competition, 1314. 1506-1509.

Explanation of the fact that the recent great fall in the price of wheat in England has not reduced the exports from India, 1315-1320. 1325, 1326——Favourable condition of the freight market as regards the import of Indian wheat into England, 1331-1333——Suggestions as to the best mode of inducing the natives of India to invest in the loans to be raised for railways; grounds for the opinion that interest at 4 per cent. would be quite sufficient to pay on a rupee loan in India with this object, 1350-1363.

Contention that the right of the Government to purchase the railways should be reserved whether they are or are not under a guarantee, 1364-1367——Statement that the reason for a Government guarantee of 4 per cent. to railways which would be sure to pay is, that it would protect the public from the payment of very high rates, 1379-1389.

Opinion that the natives of India are not quick to learn better modes of cultivation than they now possess, 1398, 1399——Importance of making purchases of iron for railway construction at the present time, because of its very low price; diminution also in the price of all other railway materials as well as of iron, 1410-1412. 1501-1503.

Information respecting other articles of produce besides wheat which would be exported from India in larger quantities owing to the development of the railway system; argument that there will be a very considerable increase of production in those districts which are not served by railways at all at the present time, 1419-1421. 1496-1500. 1528-1531——Belief that there would not be a very great development in the cotton trade, owing to the effect of the American crop, 1421.

Enormous increase which would take place in the export of rice if the Burmah Railway were made, and if the export duty were removed; promise made ten years ago by the Secretary of State that this duty should be removed whenever the financial position of India would allow of it, 1421. 1448, 1449. 1526. 1557.

Additional evidence as to the means to be adopted for raising the capital necessary for the construction of Indian railways; desirability of establishing a system of open loans by which the people would have an interest in the Government which they would not have otherwise, 1431-1440. 1466-1470——Evidence in regard to the anticipated loss by exchange on account of the Government of India having to remit to Europe the interest upon the loans; argument that the natives of India are not affected in any way by loss

of

Report, 1884—*continued.*

Coke, Henry. (Analysis of his Evidence)—*continued.*

of exchange, inasmuch as they consume only the articles which are produced in the country, 1441–1447. 1472–1489.

Examination respecting the lines which it is most expedient to construct with the object of tapping those districts which produce articles for exportation; contention that this is a question upon which the Government of India must furnish the best information, 1451–1454. 1459–1465. 1550–1553——Statement that the two trunk lines which the public are most anxious to see constructed are the Bhopal-Gwalior and Cawnpur Extension, and the direct line from Nagpur to Calcutta, 1452. 1459——Approval, upon general grounds, of extending the Great Indian Peninsular Railway to Cawnpore, but not on the terms already proposed by that Company, 1453–1455.

Additional information respecting the development of wheat cultivation in India; the increase of export between 1828–79 and 1883–84 has been from one million hundred weight to one million tons, 1490–1495. 1522–1526. 1532–1543——Conclusion that our import trade from India is to a large extent balanced by the exports of gold and silver from England to India, 1514–1521.

Comilla-Cachar Railway (Bengal). Length and cost of this project, as proposed by the Government of India to be left to private enterprise, *App.* 530.

Companies. See *Administration and Management. Bengal Central Railway. Bengal and North Western Railway. Capital. Construction and Working. Cost of Lines. Expenditure. Guaranteed Railways. Private Enterprise. Southern Mahratta Railway.*

Compensation (Accidents). Very rare demands for compensation upon the Indian railways as compared with demands in England; explanation of the freedom from accident in India, *Rendel* 5709. 5726–5748. 5927.

Competition. Improvement if railway competition were feasible in India, as in the United States; difficulties in the way, *Sir J. Caird* 488–493. 513.

Contention that it would be very bad policy for the Government to grant two railway companies permission to traverse the same country and to work against each other, *Coke* 1307.

Explanation that the lower rates on other lines than on the Great Indian Peninsula is probably owing to the sea and river competition with which they have to contend; impossibility of introducing a line to compete with the Great Indian Peninsula, *Bythell* 2669–2674.

Wasteful competition which is carried on in England, which managers attempt to meet by providing increased facilities rather than by lowering the rates; belief that if the public had the choice, they would prefer the reduction of rates, *Rendel* 5755. 5867–5871——Entire absence in India of railway competition in the English sense, *ib.* 5760–5762.

See also *Construction and Working. Guaranteed Companies. Private Enterprise. Rates and Fares.*

Connecting Lines. Opinion that in view of what has already been done the best course is to make new lines as occasion requires, the chief thing now required being to fill in cross lines between the main lines, *Strachey* 95–98.——*See* also *Branch Lines or Feeders.*

Condition of the People:

Estimate by witness that the saving to the people of India from the construction of railways is probably twice the gross income of the companies, *Strachey* 355——Probable saving of from 30,000,000 *l.* or 40,000,000 *l.* by the people yearly, the cost of management having been reduced by at least one-third, *ib.* 355.

Success of the railways not only in improving the condition of the people of India but in conferring enormous advantages generally, without creating an increasing charge on the revenues of the country, *Strachey* 1186, 1187. 1194, 1195.

Extraordinary effect which railways have had in developing the resources and in increasing the prosperity of India; large increase in the rate of wages on account of the introduction of entirely new employments, *Chapman* 802–806. 876–878. 903–905——Strong opinion that the general condition of the people has been materially improved by means of the railways; example of this shown by the enormous hoards of silver ornaments brought to the Mint to be converted into rupees when the famine occurred, *ib.* 903–905.

An extension of railway would not only lead to a higher rate of wages but would materially benefit the condition of the country in every way, *Clarke* 2270–2273——Conclusion that apart from protection and relief from famine the extension of the railways has greatly benefited both the trade and people of India, *Lord* 2462.

Report, 1884—*continued.*

CONDITION OF THE PEOPLE—continued.

Decided improvement of late years in the general condition of the natives of India; this improvement is due to a great extent to the railway system, *Hardie* 2899–2908——Assertion that although a railway may not show a large dividend to the shareholders it may still be an enormous benefit to the district and country through which it passes, *Birkmyre* 3443–3452. 3470, 3471.

Increased prosperity of the natives of India resulting from the introduction of railways; largely increased import of Manchester goods into India of late years, *Danvers* 7025–7027——Conclusion that the largely increasing exports of India form one indication of the increasing prosperity of the people; other reasons for considering that the prosperity of the country has materially increased, *Hunter* 7214–7216.

Concurrence of evidence as to the very beneficial operation of railways with respect to the condition of the people, *Rep.* vii, viii.

See also *Cultivation of the Soil. Employment. Exports. Extension of Railways. Native Capital. Savings Banks. Trade.*

CONSTRUCTION AND WORKING:

Construction of Indian railways hitherto by means either of money raised by the Government and expended through its own officers, or of a guarantee of interest to private companies who have thereby raised the money and carried out the lines, *Strachey* 9——Respects in which construction by the State is probably less desirable than by private companies, witness approving of the latter course provided economical construction can be secured, with a fair share of profits to the State, *ib.* 55 75. 92–94. 253–264. 372–374.

Disadvantage of Government construction of railways and other public works in so far as the progress is liable to interruption, works being sometimes suspended or delayed; enhanced cost thereby, *Strachey* 62–73——Doubt as to construction by Government being necessarily cheaper than by companies, *ib.* 93. 99–103.

Illustration in the case of the South Mahratta line of the value of construction by companies rather than by the State, *Strachey* 374——Proposal that the companies should be in the light of paid agents of the Government, the construction being effected through them, *ib.* 1137, 1138.

Costly construction where lines have been guaranteed by Government, there being reason for much reduction, *Sir J. Caird* 389, 390.

Explanation that though all the superintendents are Englishmen and Scotchmen the whole of the actual work, including the construction of the largest bridges, is done by natives, *Glover* 1920–1922——Necessity in the case of Government works for witness to add 10 per cent. to his rates because of the obstruction met with from the executive engineers; assertion that in such a case the work would be very far from being better than if it were made for a private company, *ib.* 1927–1932. 2112–2122——Enhanced cost by making the lines in driblets, *Birkmyre* 3482–3484.

Advantages and disadvantages of construction by means of companies as compared with Government construction, *Conway-Gordon* 4292–4294. 4303–4305——Considerable disadvantages in the lines being worked by commercial companies; particular grounds on which India has practically suffered in this respect, *ib.* 4299–4301.

Additional information as to the comparative advantages or disadvantage of contracts being carried out by companies; important consideration that the money having been once lodged, the construction goes on without fear of interruption, *Conway-Gordon* 4486–4504. 4644. 4727–4729——Strong opinion that the rivalry which exists between lines laid down by private companies and those constructed by the Government is a distinct advantage both as regards construction and working, *ib.* 4501, 4502.

Conclusion that there are many advantages in making over the construction of lines to companies; contention however that there is ample room both for the companies and the Government, *Westland* 4928–4930.

Considerations as to the form of agency which is best to be adopted for making new railways in India; opinion that it is inexpedient that the Government should either make or work the lines, *Rendel* 5637–5643. 5828–5840. 5855–5869——Strong feeling that it is essential for the future of the railways that the freehold of them should be in the hands of the Government; the companies should construct the lines simply as contractors for the Government, *ib.* 5639–5643. 5693–5696.

Opinion that the Government with its large staff of trained engineers can build lines better and more economically than a company, *Ashburner* 6364. 6450.

Expediency of employing companies as the agency for the construction and still more for the working of the proposed lines; grounds for this opinion, *Danvers* 6875–6877. 6879–6882. 6916. 6939–6942. 6982–6989. 6998–7002.

Report, 1884—*continued.*

CONSTRUCTION AND WORKING—continued.

Reference to certain evidence as to the increased cost when the construction is slow, *Rep.* viii——Value of the emulation between *quasi* private enterprise and Government working as tending to promote economical construction and management, *ib.* x.

See also *Administration and Management. Cost of Lines. Engineers. Expenditure. Extension of Railways. Guaranteed Railways. Private Enterprise. State Railways. Working Expenses.*

Contract System. State construction of railways by contract is b eing entiely given up as unsatisfactory, *Strachey* 71.

Conway-Gordon, Major, R.E. (Analysis of his Evidence.)—Large official experience of witness upon Indian railways both as regards the work and the finance of the Public Works Department, 3495—— Special appointment of witness as delegate for State railways at the general conference on the subject of the interchange of rolling stock, 3495.

Information generally with reference to the proposals of the Government of India in regard to railway extension; intention to spend about thirty-three millions sterling upon railways during the next five years and to leave about twenty-four millions to be spent by private individuals or companies, 3496-3505. 3518-3525. 3527. 3573-3576. 3579-3584—— Statement that as regards the lines left to be undertaken by unassisted private enterprise the Government will merely grant the land free of cost, 3499-3501 ——Favourable comparison of the proposed expenditure with the amount annually expended in previous years, 3506-3508. 3518.

Statement prepared by witness explanatory of the financial position of the Government of India regarding railway expenditure; exclusion from these statements of the loss by exchange, 3508-3517. 3571, 3572. 3609. 3619-3622. 3641-3654 ——Special difficulties in the accounts of the Government of India, they being prepared on a different principle to mercantile accounts, 3509.

Policy adopted for many years by the Government of expending large sums annually on the material development of the country; considerable protection against famine by means of increased irrigation works, 3510——Statement that the Public Works Department has given the benefits of improved communication and all the requirements of modern progress at an annual charge 3¼*d.* per head of the whole vast population, 3511, 3512.

Anticipation that very soon the revenue produced from railways and irrigation works will enable the Government of India to carry on the whole public works business at an insignificant charge to the taxpayer; net charge to the taxpayer decreasing at the present time, 3513.

Explanation that there is now a smaller proportion of annual expenditure upon maintenance and repairs by the Public Works Department, and a larger expenditure upon new works for the material improvement of the country, 3514——Steady gain to the Government since 1881-82 on account of railways, 3521——Assertion that the proposed direct State expenditure will not affect in any way the balance of the general railway revenue or maintenance account, 3522, 3523.

Grounds for the conclusion that the increased expenditure will not add to the burden of taxation of the people of India; contention that the principle should be that the State expenditure on new works should be carried out so as to avoid imposing any further burden than is at present borne, 3526, 3527. 3539. 3557. 3561, 3562. 3570. 3620. 3625, 3626—— Opinion expressed by the Government that they would consider increased taxation as a greater evil than slow progress in railway construction, 3526—— Statement that the considerable increase to the Indian revenue under Land Revenue, Opium, Salt, Army, and all heads other than Telegraphs and Public Works will fully justify the proposed increase of expenditure upon railways, 3526.

Statistics of railway construction showing that the proposed average rate of 779 miles of new railways, annually, cannot be considered as a sudden increase of operations, 3526 —— Information with respect to the principles upon which the present proposals of the Indian Government are made, as regards the construction of new lines; stringent rules in force to secure investments in reproductive works producing at least as much as the interest paid on the amount borrowed, 3528-3536.

Contention on the part of the Government that the expenditure from ordinary and from borrowed funds must be considered together, 3531——Argument that the interest at 4 per cent. which has to be earned on the whole of the productive public works expenditure forms in itself a sinking fund of a very material extent, 3531——Practice of the Government during the past few years to invest largely in railways and other reproductive works, which amply cover the amounts borrowed for other purposes, 3532-3536—— Decided opinion that the proposals made by the Government are financially sound, 3536.

Report, 1884—*continued.*

Conway-Gordon, Major, R.E. (Analysis of his Evidence)—*continued.*

Desire on the part of the Indian Government that the restrictions imposed by the Secretary of State as to the expenditure of borrowed money upon railways unless they produce 4 per cent. within five years should be relaxed; grounds for considering relaxation expedient, 3537-3539. 3593-3607. 3627-3631 ——Contention that if the conditions as to productive railways as laid down by the Secretary of State had been in force, the East Indian Railway, which is the most successful financial work, could not have been constructed; belief that such conditions would also have excluded the construction of every other railway in India, 3538.

Argument that if branch lines were to be considered as revenue-producing lines on their own bases, the restrictions of the Secretary of State would prevent the construction of any branch line at all, 3538——Opinion expressed by General Strachey that these restrictions were the outcome of a policy which strove to arrest the expenditure on Public Works, 3538.

Information respecting the proposals of the Government of India in regard to altering the limits now fixed for direct borrowing on productive public works; desire to increase the amount for railways alone, and not to alter that for irrigation purposes, 3540-3548 ——Further proposal of the Government that the whole capital required for additions and improvements to the open State railways should be considered as outside the fixed limit, 3546-3548 —— Strong opinion that as the Government intends to carry out a policy for improving the communications in India and of generally developing the country, every effort should be made to reduce the expenditure in other directions; belief that it is quite practicable to carry out this suggestion, 3549-3551.

Desirability that the limit placed on the borrowing powers of the Government should be elastic, and only put into practical operation in extreme cases; obvious expediency that the Government should have power to push on their works rapidly when money is cheap, 3551-3553. 3597, 3598——The one important point in regard to this limit should be, that the borrowing should never be pushed at such a rate at to injure the credit of the Government, 3553. 3594.

Great importance that the money to be expended should be laid out on the best paying lines, and that the first to be constructed should be those that were absolutely certain to pay, 3553. 3558, 3559 —— Suggestion that railway accounts should be kept entirely outside the general accounts of the empire, 3553. 3621, 3622. 3653, 3654——Decided opinion that if the railway business of India were exhibited in accurately kept commercial accounts, it would be shown to be at the present time a financial success; belief also that the lines generally will in the future pay still better, 3553-3556.

Moderate proposals of the Bengal Chamber of Commerce in regard to railways, 3560 ——The proposals of the Bombay Chamber of Commerce go quite beyond reason, 3560 ——Opinion that although the Bombay natives of India dislike our law and our system of land revenue, our roads and railways are decidedly popular with them, 3562, 3563. 3566. 3623, 3624——Complaint of the natives that the third-class fares are not sufficiently reduced to touch the poorest class; contention that these fares might be advantageously reduced still further, 3563-3569. 3655, 3656.

Belief that the natives cannot be induced to invest their savings in railways, as they can do much better elsewhere; instance, however, of a small line from Serafuli, in the Hughli district, which has been taken up principally by the native clerks and engine-drivers, 3585-3592—— Statement that the only possibility of getting railway shares taken up in India is through a syndicate, 3587.

Opinion that there is no country which bears such burdens in improving itself as India: heavy taxation borne at the present time for benefit of generations to come, 3609, 3610——Statement that there are laid out annually enormous sums out of revenue on capital account, 3618.

Disapproval that the power to limit the expenditure upon public works should be mainly in the hands of the Secretary of State in Council; it is impossible for an authority so far away from India to be certain of what is going on in that country, 3628-3631 ——Statement that in the case of the enormous development of the wheat trade in India it was not foreseen by anyone in England, although it was clearly anticipated in India, 3629.

Further approval of the extent to which the Government of India propose the construction of railways; belief that the proposed expenditure is safe, and could be carried out with the existing staff, 3632-3640—— Assertion that none of the lines recommended to be made are unlikely to pay if economically managed, 3638-3640——Opinion that the Government of India, if it errs on one point, errs on that of over caution, 3640.

Explanation that the loss by exchange in the railway accounts varies from year to year according to the fall in the value of the rupee, 3645-4647.

[Second Examination.]—Further opinion that the proposals of the Government of India with regard to the extension of railways are moderate; the average annual construction contemplated is 779 miles, 4022-4028——Explanation with further reference to the restrictions imposed by the Secretary of State in regard to the character of the lines

Report, 1884—*continued.*

Conway-Gordon, Major, R.E. (Analysis of his Evidence)—*continued.*

lines to be constructed, and the amount of interest to be earned; limits also imposed on the Indian Government as regards the amounts to be borrowed for public works, 4027, 4028. 4075, 4076. 4202-4231. 4288.

Information generally in regard to the proposed expenditure upon railways both by the State directly, and through the agency of private companies; conclusion that in the event of private companies not being found to undertake the works, it will become necessary for the Government to consider as to constructing the lines themselves, 4029-4056. 4107-4111. 4128-4135. 4183-4185. 4306——Assertion that the expenditure in the next five years by the State will not be made in excess of the preceding period, if the whole expenditure upon public works be taken into consideration, 4052-4054.

Statement that the calculations of the Indian Government for the extension of railways are made in the hope of a continuation of profits; since 1878-79 there has been a steady increase in the ordinary traffic receipts, 4057-4069. 4102-4106——Detailed statement in regard to the gross earnings on the trunk lines since 1866-67, showing a regular increase from year to year; entire absence of apprehension as to a disturbance of the Government scheme in consequence of a decrease in the earnings, 4059-4069.

Determination of the Government that there is to be no increased taxation for the purpose of obtaining money for the extension of railways; statements also that the borrowing for this purpose is not to be pushed so as to injure the credit of the Government, 4070-4074. 4262——Strong desire of Government that the restriction in regard to the definition of productive works should be removed; expediency of permitting Government to borrow money for the construction of works which may not earn as much as 4 per cent., 4075, 4076——Opinion that the principle laid down by the Select Committee of 1879 in regard to borrowing by the Indian Government was a sound one, 4077. 4312.

Circumstances under which witness was employed under a civil engineer upon his obtaining his first commission as a Royal Engineer under the old East India Company; explanation that his service has been entirely in India, and that he is a local officer, 4078-4081.

Statement as to the principles which have guided the Government of India respecting the character of the railways to be taken up by themselves, and of those to be constructed by private companies; proposals made by private contractors to make certain lines either with or without State aid, and to carry them on when completed, 4082-4101. 4116-4119. ——Economical reasons which have led the Government to propose to purchase the Eastern Bengal Railway, 4092-4097.

Desire on the part of the Government to legitimatise the present expenditure, which in a sense was an evasion of the limit of 1879 (as laid down by the Select Committee), rather than to go beyond it, 4107-4111——Exceptional instances in which lines which are not trunk lines are considered to be of primary importance, 4112-4115. 4123.

Argument that it will not be necessary to consider the question as to the pensions of the engineers, as the probability is that when the proposed railways are completed it will be necessary to construct others, 4124-4126——Contention that the railway system should be extended so long as money can be spent with a fair prospect of return, 4126-4128.

Information respecting the railways proposed to be constructed by private companies with a limited guarantee; suggestions as to the proposals to be made by the Government to the guaranteed companies, 4128-4132. 4309, 4310——Importance that the decision of the present Committee with regard to the amount of expenditure on railways should be so definite as to prevent any misapprehension in the future, 4136-4138——Entire absence of any desire on the part of the Government that the expenditure of the Public Works Department should be removed from the control either of the Secretary of State or of that of the Financial Department of the Government of India, 4139, 4140. 4182.

Grounds for desiring that part of the famine fund which is now used for the construction of railways should be utilised as interest on capital borrowed to make other lines; contention that such a course would be financially sound provided that the construction of such lines reduced the cost of future famines, 4141-4157. 4186-4201. 4275. 4279-4287——Explanation that as far as railways are concerned, it is the desire of the Government of India to abolish the existing distinction between protective and productive works; expediency of leaving the selection of non-paying works to the discretion of the Government under the control of the Secretary of State, 4158-4173. 4261-4267. 4277-4287. 4289-4291.

Further statement that including exchange the railways, on the whole, do now very nearly pay their way, 4174-4178——Explanation as to the extent to which the views submitted by witness are those of the Government of India, or are his own, 4179-4181. 4232-4234.

Opinion that the Secretary of State unduly restricted the recommendation of the Committee of 1879, in regard to requiring that the money should be borrowed in India;

Report, 1884—*continued.*

Conway-Gordon, Major, R.E. (Analysis of his Evidence)—*continued.*

belief that it would be wise at the present time to borrow in London the whole amount required for public works in India, 4243–4257——Assertion that the responsibility for the late borrowings in India and not in England rests entirely with the Secretary of State, 4246, 4247.

Statement that the estimates of revenue are most carefully examined by the Financial Department before the Government of India commits itself to any extension of railway works, 4263–4267——Indirect profit which a railway line produces from other sources than the railway itself; belief, for example, that the land revenue is increased, 4268, 4269——Impossibility of applying a hard-and-fast rule to all railways as to the particular stage at which they became productive, 4270–4274.

Belief that there would be a pecuniary saving to the Government of India by making railways in time of famine; impossibility, however, to calculate exactly what such saving would amount to, 4287——Recommendation that the Government should be allowed to borrow money for the construction of railways, on the condition that no further taxation is imposed on the country, 4288——Statement that if the distinction between productive and protective works be abolished, the construction of railways can be carried on at a more rapid rate than at present, 4289–4291.

Information with further reference to the advantages and disadvantages of construction by means of companies as compared with Government construction, 4292–4294. 4303–4305——Points on which the Government should be specially careful to guard itself in the case of future contracts with guaranteed companies; mistake in the past as regards the rate of guarantee, the terms of purchase, and the rate of exchange, 4295. 4303–4305.

Fatal blunder in the old contracts with guaranteed companies of laying down a fixed rate of exchange for all transactions between Government and this country; assertion that the Indian Government lose from 1*d.* to 2*d.* for every rupee the old companies spent in India, 4295.

Further explanation as to the comparative advantages and disadvantages of construction by the Indian Government 4296–4298. 4369, 4370——Considerable disadvantages in the lines being worked by commercial companies; particular grounds on which India has practically suffered in this respect, 4299–4301.

Expediency of the Government retaining very much in its own hands a monopoly of the carrying of the country; grounds for this opinion, 4303, 4304——Important fact that had the Rajputana line been in the hands of a private company, it would have been impossible to stimulate the export trade in wheat, which was effected by the reduction of the rates on that line during last year, 4304——Doubtful expediency of giving over to private companies the lines that are likely to pay, while the Government retain only those that are not likely to be remunerative; belief that such a course is apt to discredit Government management, 4305.

Statement of the causes of the disinclination of the English money market to invest in Indian railways without Government guarantee, 4307–4309——Contention that the whole history of Indian railways is one long unsuccessful attempt to get the lines constructed without a State guarantee, 4307–4309.

Few advantages in the system of limited guarantee; decided advantage in the case of continuous guarantee by which the Government would secure half profits over a certain rate of earnings, 4309, 4310——Importance of a purchase clause in the contracts with guaranteed companies which should give the Government power to take over the line on repaying the capital expenditure, 4310, 4311.

Examination respecting the control exercised by the Government over the rates and fares; large increase of traffic which resulted from a reduction of third-class fares on the East Indian Railway and on other lines on the 1st January 1882; 4313–4325. 4357–4368——Considerable difference of opinion which existed in 1867 between the Government of India and the Secretary of State with regard to the competency of the former to reduce the rates and fares, 4314–4319——Strong opinion expressed by Lord Mayo, when Viceroy, against maintaining the maximum fare for third-class passengers, 4317.

General increase in traffic in consequence of reduction of rates, 4322, 4323——Large increase in the revenue of the Indus Valley State Railway which has resulted from lowering the rates upon that line, 4323, 4324——Statement that there is no indication whatever that the reduction in the rates has reduced the net earnings in the aggregate of the railways in general, 4325.

Considerations as to the principle which should govern the question of gauge; strong opinion in favour of the standard gauge for all through lines, and for all short connections between existing broad gauge lines, 4326-4334. 4338-4344——Statement that the character of gauge depends entirely upon the amount and description of the traffic which may come upon the line, 4326——Uniformity of gauge adopted as a principle when railways were first started in India; circumstances under which a break of gauge was first permitted, 4327–4330.

Belief

Report, 1884—*continued.*

Conway-Gordon, Major, R.E. (Analysis of his Evidence)—*continued.*

Belief that when the narrow gauge was sanctioned, no one had any idea of the great development of traffic which would take place in India; official views at that time that the Indus Valley and the Rajputana lines would not pay, 4329, 4330——Comparison of the tonnage of general merchandise carried by the guaranteed railways in 1868 with that carried in 1882; 4332——Large increase in the weight and size of the engines and waggons on the Rajputana line since it was first opened, 4334.

Comparison of the cost of construction of the metre gauge and the standard gauge lines; the actual difference in favour of the former is from 1,500 *l.* to 2,000 *l.* a mile, inclusive of rolling stock in both cases, 4335——Favourable comparison as regard the cost of working the standard gauge lines; explanation that it is the cost of working and not of construction which affects the trade of India, 4336.

Compilation of the statistics of the working of Indian railways undertaken by the Railway Department of the Government; explanation that these statistics have not been specially prepared for the purposes of the present inquiry, 4337——Statement that the mercantile community in India is unanimously opposed to a break of gauge; desire also on their part for the broad, as opposed to the narrow gauge, 4339, 4340.

Opinion that the two most important of all the lines proposed by the Indian Government are the Barakur-Nagpur, and the Bhopal-Jhansi-Gwalior and Jhansi-Cawnpur lines; grounds for considering it expedient that these lines should be undertaken by private companies with a limited guarantee under Bengal Central terms, 4346–4365. 4371–4394——Considerable risk to the Bengal Central Company for the reason that directly the limit of the guarantee is over they are in the position of an ordinary commercial company, 4356–4364.

Decided opinion that the Government should keep in their own hands some control over the fares of the lowest class of passengers, and over the rates for agricultural and mineral produce, 4368, 4369——Statement that it is the deliberate belief of witness that the Calcutta and Nagpur will be a productive line, especially in view of the fact that the small section that has already been made has produced enormous receipts, 4375.

Character of the through traffic expected upon the line from Bilaspur to Seeterampur, on the completion of the line from Nagpur to Bilaspur; admission that at first there will not be a large local traffic, 4377–4386——Belief that the foregoing line to Seeterampur will induce a large amount of grain traffic to spring up between the Chattisgarh Division and Calcutta; opinion that the amount of traffic to Calcutta will be sufficient to justify a large expenditure, 4380–4391——If necessary the construction of the Nagpur and Bilaspur line should be undertaken by Government; that is, in the cheapest possible way, and on the broad gauge, 4392–4394.

[Third Examination.]—Further statement as to the direct financial results of the transactions connected with Indian railways; grounds for the conclusion that the lines are now nearly paying their way even after allowing for the loss by exchange, 4395–4398——Argument that the loss by exchange and the cost of land are part of the capital charges borne directly by the Government, which should carry four per cent. interest against the working account, 4396——Reasons for believing that the financial results will be better in the future than they have been in the past, 4396.

Conclusion that it is the gradual improvement in the public works finances which has placed the Government of India of late years in so sound a financial position; removal by the Government of nearly the whole of the customs duties, and considerable reduction of the salt tax, 4396——Estimate that the lines proposed will pay from two to three per cent. above their working expenses, besides being useful for protection against famine, 4399, 4400.

Possibility in the case of new lines, where there is a contract with the Government for purchase, that the companies may wilfully default and so force the Government to take over unpaying concerns; example of this course in the Orissa Canal Company, 4401–4407——Statement of the terms upon which the Government have agreed to purchase the Bengal and North Western Company, if it be taken over, 4401–4405.

Further examination with reference to the control over the rates and tolls; great difficulty in adopting any system by which the Government can, fairly to the companies, maintain a control over the rates and fares, 4408–4415. 4419, 4420. 4453–4460. 4504–4546. 4616–4619——Opinion that the rates and fares prescribed by the Bengal Central Company, without any power of reduction by the Government, are injudiciously high, 4412–4415.

Additional grounds for considering it expedient that the Nagpur and Seeterampur and one or two other railways should be made by companies; belief that there are on the other hand considerable advantages in the working of the lines by Government instead of by companies, 4416–4420.

Further information relative to the advantages of the broad gauge for Indian railways; absence of economy in the narrow gauge, the question of expense being more a function

Report, 1884—*continued.*

Conway-Gordon, Major, R.E. (Analysis of his Evidence)—*continued.*

of the weight of traffic than of the gauge, 4421-4452. 4461-4464. 4564-4579. 4592, 4593.

Construction of the Rajputana line to Bombay on the narrow gauge universally acknowledged to be a great mistake; opinion that to alter the gauge now would be a very expensive matter, 4423-4425. 4441-4445——Approval of the construction of a new line from Bhopal to Cawnpur rather than widening the gauge of the Rajputana line, on account of the former opening up a new area of country, 4425, 4426.

Statement that metre-gauge lines are more suitable for isolated parts of the country where a complete metre-gauge system can be adopted, 4428. 4461-4464——Grounds for preferring broad gauge to metre gauge for branch-feeder lines, 4429——Contention that even for hilly country broad gauge lines are more advantageous than the narrow gauge, 4430-4439——Engines repaired, but not made in India; rolling stock constructed in India, the ironwork being sent out from England, 4447-4452.

Further examination as to the reluctance of private companies to undertake the construction of railways in India without State aid; the chief grounds for this unwillingness are the mode in which the accounts are kept, and the want of information as to the terms to be granted by the Government, 4465-4468. 4580, 4581. 4590, 4591. 4627-4643. 4697—— Disapproval on the part of the Secretary of State in regard to a proposal made by the Government of India that the public should be informed as to the extent to which private enterprise would be encouraged, 4466.

Suggestion that the railway accounts should be kept upon purely commercial principles, and entirely outside the general accounts of the Empire, 4468——Further grounds for proposing that the two important lines, the Bhopal-Jhansi and the Nagpur, should be made over to private enterprise, 4469-4472——Statement that the larger part of the capital raised in India for railways is held by Europeans, 4475-4477. 4481-4483 —— Large amount of Government paper in the hands of natives, upwards of twenty millions sterling being held in the year 1878; 4484, 4485.

Additional information as to the comparative advantages or disadvantages of contracts being carried out by companies; important consideration that the money having been once lodged the construction goes on without fear of interruption, 4486-4504. 4644. 4727-4729——Statement that the Madras and the Oude and Rohilkund Railways may be considered as commercial failures; explanation that the failure of the Madras Railway was owing to the fact that it was so laid out that it avoided every town, 4493-4496.

Strong opinion that the rivalry which exists between lines laid down by private companies and those constructed by the Government is a distinct advantage, both as regards construction and working, 4501, 4502——Expediency of not having the maxima rates fixed by the Government at an absolute amount; suggestion that the method should be that they should not exceed 10 per cent. in excess of the rates in force on the East Indian Railway, 4507-4515—— Statement that experience proves that a high rate of guarantee does not tend to lower the rates, but rather the contrary, 4525-4532.

Further opinion as to the advantages of a continuous guarantee at a low rate, as opposed to a limited guarantee; belief that money will not be obtained unless the guarantee be continuous, 4547-4563——Desirability that the State should not earn more than the actual cost of the line, and that the profits of the railway should be only sufficient to pay the interests and the expenses, 4554-4559——Argument that, in regard to guaranteed lines, the only practical plan upon which to proceed is that one district of country should pay for another, 4559-4663.

Opinion that the advantage of narrow gauge in respect of facility to get round curves is but a small one, as these difficulties are being gradually overcome by scientific construction, 4564-4568—— Statement that to the north and east of the Gogra and the Ganges there must be of necessity a break of gauge, 4573 ——Impossibility of transferring large waggons from one side of the Ganges to the other by means of ferry boats, on account of the frequent variations in the level of the water, 4574-4579.

Further information relative to the proposals of the Indian Government to apply the famine fund for the purpose of guaranteeing the interest upon the railways; contention that this fund is simply intended to be an expedient for strengthening the financial position of India, 4582-4589——Decided opinion that devoting the famine fund to guaranteed railways would not lead to additional taxation, 4588, 4589.

Statement that the opinions of the Chambers of Commerce in regard to the estimates of probable traffic in the Indus Valley and on the Rajputana lines were more correct than those of the officials, 4594.

Additional examination as to the great importance of laying down a principle in regard the adoption of broad or narrow gauge in certain parts of India; contention that this question should be seriously faced by the present Committee, and should not be left either to the Government of India or to the Secretary of State, 4595-4615. 4620-4624. 4645-4659. 4694. 4712-4716——Instance of the Jhansi-Manickpur Railway as a good example of the difficulties resulting from the want of any principle as to the application

of

Report, 1884—*continued.*

Conway-Gordon, Major, R.E. (Analysis of his Evidence)—*continued.*

of the two gauges; deadlock in the construction of this line owing to differences between the Home Government and the Government of India on the question of gauge, 4595-4615. 4620-4624.

Detailed statement of the differences generally between the Secretary of State and the Government of India on the subject of the two gauges, 4597-4615. 4620-4624——Explanation that when lines are converted from narrow to broad gauge the engines and rolling stock are transferred to other metre-gauge lines; impossibility of converting the rolling stock, 4613-4615——Expediency of giving the Indian Government liberty to adopt the broad gauge only, except in some isolated districts, 4625.

Strong opinion that the question of continuity of policy in regard to railway matters in India is the most important point which the present Committee has to deal with, 4644. 4648-4651——Information as to the comparative costs of working the standard and the metre gauge lines; statistics showing that the working expenses on the narrow gauge lines are heavier than on the broad, 4653-4659. 4717-4726.

Examination in regard to the difference in cost of transhipment on the Nagpur and on the Rajputana lines; extraordinary varieties in the amount of traffic upon these lines in different seasons, 4650-4693——Great importance in laying down definite principles on the question of gauge, a limitation of expenditure being insisted on, so as to exclude additional taxation, 4695-4701. 4731, 4732.

Expediency of a system of forecasts extending over five years in regard to railway expenditure; discontinuance at the present time of the forecasts instituted by Lord Northbrook, 4702-4708——Explanation that though the Indian financial Budget is in itself a forecast, it extends only over two years, 4703——Impossibility of naming off-hand the amount to be raised annually for railways without imposing additional taxation, 4709-4711.

Grounds for the opinion that the Nagpur line should be on the broad gauge, 4712——Approval of converting the existing narrow gauge lines into broad gauge; contention that the expense would not be so great because the whole of the materials could be utilised on other narrow gauge lines, 4713, 4714.

Admission that the cost of construction, but not the working of narrow gauge, is more economical than broad gauge lines, 4715, 4716——Opinion expressed by the Government of Madras as to the absence of economy in the working of narrow gauge as compared with broad lines, 4723——Statement that the difference of cost of construction by the Government or by companies is very small; the question of economy largely depends on the efficiency of the engineering staff employed, 4727-4730.

Expediency, if the prosperity of Indian railways continues and allows larger expenditure without increased taxation, that discretion as to such expenditure should be left with the Government of India, 4731, 4732——Suggestion that if the Government are to share in the advantages of feeder lines, there should be inserted in the contracts a general clause that the companies should construct whatever branches may be required; the necessity of such branches should be a question of agreement between the company and the Government, 4733-4737.

Lower salaries paid to the Government servants than to those of the companies; willingness, however, of unemployed companies' servants to come to the Government at a lower rate, on account of the greater certainty of employment, 4738-4742.

[Fourth Examination.]—Further information respecting the proposals of the Indian Government in regard to the extensions of railways; statement that the primary object held in view in drawing up Schedule A. was to protect the whole of India against famine, 5363-5366. 5371-5386. 5395-5402. 5409-5418. 5440-5443. 5595-5609. 5610.

Statement as to the negotiations carried on with Messrs. Hoare and Millar with reference to the construction of the Nagpur-Barakur line; postponement of this question by the Secretary of State until the decision of the present Committee, 5364. 5401-5406. 5485-5494——Diversity of opinion between the Government of India and the Secretary of State with regard to the difference in cost between the broad and narrow gauge construction on the Jhansi-Manickpur line, 5364. 5432-5437.

Conclusion that the distinction between protective and productive lines is not a clear one; grounds for this view, 5367-5369. 5419-5423. 5498-5504. 5597-5608. 5614-5619——Case of the Rewari-Ferozpur line, for which there was much difficulty in obtaining the sanction of the Secretary of State as a protective line, whilst it has since become a remarkably productive line, 5367.

Diversity of opinion on the part of officials with regard to certain lines as to whether they will be productive or not, 5369, 5370——Opinion that the line from Raipur to Vizagapatam will not be a paying line on account of the inferiority of the latter port; statement, on the other hand, by the Collector of the Godavery District, that this is the most

Report, 1884—*continued.*

Conway-Gordon, Major, R.E. (Analysis of his Evidence)—*continued.*

most promising scheme which has been proposed for the south of India, 5369, 5370. 5375. 5384-5386. 5390-5394.

Several lines which at the present time are actually under construction, 5372-5374——Arrangement entered into by the Government with the South Mahratta Company for the construction of the Western Deccan line, 5375——Contention that the most unopened parts of India are exactly those which require railways, 5380-5383. 5407, 5408——Opinion of Sir George Campbell, when Chief Commissioner of the Central Provinces, that we should look rather for the development of traffic by the railways than to provide for an existing traffic, 5381-5383.

Opinion that the district of Oudh is at the present time fairly served by railways, 5397, 5398——Refusal of the Punjaub Government to accept financial responsibility for a line from Umballa to Pattiala; belief that if made there would not be much traffic upon it, 5399——Conclusion that the Jullundur-Hoshearpur line, which is twenty-six miles long, would be exceedingly useful, 5400.

Statement that the lines of railway now sanctioned and under construction amount to 1,779 miles, 5409-5411——Expediency of removing entirely the distinction between protective and productive lines; argument that each line should be dealt with entirely on its merits, 5419-5423.

Belief that the construction of protective lines would have no tendency to induce the natives to rely unduly on the assistance of the Government in times of famine; the tendency, on the contrary, would be to encourage a greater extent of cultivation, 5424-5427. 5429-5431. 5557-5559——Explanation that when the coal is in full working, there will be branches into the coalfields from the line from Bilaspur to Etawa, 5428.

Statement that even during a famine year there is always more than sufficient food for the population, as a whole; assertion that it is only necessary to have railways to carry food into those districts where it is deficient, 5429-5431——Great deficiency of metal for making roads in the lower provinces in India; advantage in those districts of having short lines of railways upon the embankments which are prepared for the roads, 5438, 5439.

Examination in regard to the importance of developing the railway system, with the object of increasing the material prosperity of the cultivators; a great many more railways even than those now proposed will be required to fully develope the country, 5444-5455. 5469-5475. 5530-5532.

Belief that at the present time there is in India a large portion of waste land capable of cultivation; instance of this fact in the district between Mooltan and Lahore, which only wants a canal made through it, 5453. 5469-5474——Statement that although there has been lately a falling off in the traffic returns of the Eastern Bengal Railway, there is no reason to doubt that the traffic on Indian railways generally will increase, 5456-5459.

Information with regard to the large amount of exportable produce which might be brought to the coast if there were sufficient railway accommodation——Confident opinion that the wheat supply of India may be looked upon as a certain source of export, 5460-5468. 5510-5520. 5560-5583.

Further examination as to the practical necessity of a Government guarantee to induce private companies to take up the lines; preference, however, for pure private enterprise, and after that for the Bengal Central terms, 5476-5483. 5524-5526. 5534, 5535. 5552-5556. 5584-5596——Land given by the Government to private companies free of charge in addition to detailed information respecting the districts through which the lines are to be run; actual expenses incurred in the surveys not given free by the Government, 5495-5498.

Grounds for the opinion that India as a wheat-producing country has largely the advantage of America; belief that in a war of rates America would entirely fail, 5521, 5522. 5541-5551——Strong opinion with regard to the present proposals that the burden on the taxpayer should, under no conditions, be increased, 5523. 5609.

Conclusion that one of the great objections to rupee loans is that the Government become competitors in the money market and so drive up the commercial rate, 5537-5539——Extraordinary examples of success in the case of the Indus Valley and the Rajputana lines, in regard to which there had been official denials of the possibility of traffic, and yet they have proved productive, 5540.

Desirability that the present Committee should express an opinion that the limit of expenditure upon railways laid down by the Committee of 1879 is no longer required, 5611-5613.

[Fifth Examination.]—Observations generally on the evidence given by Mr. Rendel, so far as it affects points raised by witness; general agreement, however, with Mr. Rendel's

Report, 1884—*continued.*

Conway-Gordon, Major, R.E. (Analysis of his Evidence)—*continued.*

Rendel's views, 6718, 6719. 6842, 6843——Difference of opinion with regard mainly to Mr. Rendel's estimate as to the future traffic on Indian railways, 6718.

Further information respecting the difference in the cost of construction between broad and narrow gauge; belief that this is not so much as stated by Mr. Rendel, 6718. 6788-6834——Grounds for advocating the construction of light lines on the broad gauge; argument that broad gauge, even though at a slightly increased cost, is preferable for the purposes of the expanding trade of the country, 6718. 6812-6834. 6839-6841.

Explanation that the cause of the difference between Mr. Rendel's figures and those of the Government of India, in regard to the cost of working, is that the two sets of figures were got out on different bases, 6719——Belief that the only trustworthy evidence regarding the disadvantages of a break of gauge would be that of the trade which uses the line; strong feeling against a break of gauge felt by the trade in the case of the Cardigan and Carmarthen and the Great Western lines in England, 6719.

Further information on the subject of the comparative cost of working upon broad and metre or narrow gauge railways in India; assertion that the cost of working locomotives on the metre gauge is considerably higher than on the broad gauge, 6720-6781. 6785-6787. 6839-6841——Statement that a comparison between the South Indian and the Madras lines is not an entirely fair one, because of the expensive management of the latter, 6737, 6738.

Belief that it is generally admitted that metre gauge lines work their passenger traffic with less dead weight than the broad gauge; as regards goods traffic, the dead weight is practically the same on both gauges, 6773-6781——Great disproportion on the broad gauge lines, which the dead weight bears to the freight, on account of the antiquated character of the broad gauge rolling stock, 6781.

Explanation that the large difference between broad and narrow gauge, as regards maintenance, is materially affected by the age of the line, 6782-6784——Statement that the lesser cost of the waggon and carriage traffic on the metre than on the broad gauge lines is to be entirely accounted for by the fact that on the narrow gauge lines the stock is all new, 6785, 6786.

Considerable effect which the weight of rails has upon the relative cost of broad and narrow gauge, 6789-6796. 6810-6814——Facility with which alterations could be made so as to enable heavy traffic to pass over a lightly constructed line, 6798-6800.

Contention that if light broad gauge, instead of narrow lines be constructed, there need be very little difference in the mileage opened in the next few years; opinion that with the present price of iron, the difference in cost would not amount to as much as 350 *l.* to 500 *l.* a mile, 6801-6805——Diminution of one-half in the cost of iron rails during the past three years, 6806, 6807.

Statement that for light broad gauge lines there would be no increased cost for bridges; conclusion generally that the same bridges and the same rails will do for light broad gauge as for narrow gauge lines, 6815-6824——Opinion that, upon the whole, 300 *l.* per mile would be an outside estimate of the difference in cost of construction between broad and narrow gauge, 6834.

Explanation that one of the main points in working a railway is that the locomotives should be kept out of the workshops as long as possible; belief that the same amount of haulage cannot be got out of a narrow as out of a broad gauge locomotive before it requires repairing, 6835-6838——Disagreement with Mr. Rendel's view that the cost of conversion of the Nagpur and Chattisgarh Railway will be a million sterling, 6842.

Decided opinion that such railway statistics as were referred to by Mr. Rendel are of small importance; what is more wanted is an energetic traffic manager who is always up and down the line, 6844, 6845. 6851-6853——The actual number of passengers carried over the East Indian Railway in the half year ending 30 June 1883 was 5,619,414; 6850.

Grounds for the opinion that the Government of India, if disappointed in getting companies to take up the proposed lines, will themselves borrow the money and undertake the construction; explanation that this course would not affect the financial position, it being a mere question of agency, 6854 6864.

Conway-Gordon, Major. Papers and statistics submitted by Major Conway-Gordon in elucidation of his evidence on various points, *App.* 714 *et seq.*

Explanations in detail by Major Conway-Gordon in connection with Appendices showing the lines already specifically sanctioned by the Secretary of State, the lines either directly or indirectly approved by him, and the lines which have not as yet received either his sanction or approval, *App.* 853-920.

Cooper's Hill Engineering College. Expediency of the Government giving ten or twenty Indian railway appointments annually to Cooper's Hill College; this would be an inducement to pupils to go up for the final competition, *Coke* 1314. 1506-1509.

Report 1884—*continued.*

Cost of Conveyance. See *Rates.* *Working Expenses.*

COST OF LINES:

1. *Relative Cost of Broad and Narrow Gauge Railways.*
2. *Reduced Cost of Construction at the present time as compared with former Years.*

1. *Relative Cost of Broad and Narrow Gauge Railways:*

Belief that the cost is fifty per cent. less in the case of narrow gauge lines, *Sir J. Caird* 451. 497-499——Estimate of from 8,000 *l.* to 9,000 *l.* per mile as the present cost of making a broad gauge line, the cost of a metre gauge line being from 5,000 *l.* to 7,000 *l.*; much greater cost of the older lines, *Strachey* 1230-1238——Saving by the narrow gauge, as compared with the broad, in the proportion of 1,500 *l.* to 2,000 *l.* per mile, *Trevor* 1680-1683. 1782, 1783.

Information respecting the relative cost of broad and narrow gauge lines in various districts; statement that the cost of converting narrow into broad gauge would be almost as much as constructing a new line, especially as regards the bridges, *Glover* 1839-1844. 1933-1937. 1966, 1967. 1972-1978——Rough calculation that it would cost about 10,000 rupees a mile to lay down an additional rail so as to avoid the inconvenience of a break of gauge, 1974-1978.

Strong opinion that the lines to be constructed should be on the metre, and not on the broad gauge; contention that there is a great aggregate saving in metre gauge as opposed to broad gauge lines, *Wood* 2283-2285. 2288, 2289. 2295——More economical cost of construction of narrow gauge lines, *Conway-Gordon* 4335. 4715, 4716——The cost is from 1,500 *l.* to 2,000 *l.* a mile cheaper in the case of the narrow gauge, *ib.* 4335.

Statement that, as regards expensive lines, the difference in cost of construction between the narrow and the broad gauge is exceedingly trifling, and need not be considered; marked difference in cost as regards the low-priced lines, *Rendel* 5624——Estimate that the cost of construction in the future of broad gauge lines will be about 6,000 *l.*, and of metre gauge about 4,5000 *l.* a mile, *ib.* 5624. 5675-5688. 5938-5948.

Further information respecting the difference in the cost of construction between broad and narrow gauge; belief that this is not so much as stated by Mr. Rendel, *Conway-Gordon* 6718. 6788-6834—— Considerable effect which the weight of rails has upon the relative cost of broad and narrow gauge, *ib.* 6789-6796. 6810-6814—— Contention that if light broad gauge instead of narrow lines be constructed, there need be very little difference in the mileage opened in the next few years; opinion that with the present price of iron, the difference in cost would not amount to as much as 350 *l.* to 500 *l.* a mile, 6801-6805.

Statement that for light broad gauge lines there would be no increased cost for bridges; conclusion generally that the same bridges and the same rails will do for light broad gauge as for narrow gauge lines, *Conway-Gordon* 6815-6824——Opinion that upon the whole 300 *l.* per mile would be an outside estimate of the difference in cost of construction between broad and narrow gauge, *ib.* 6834.

Statement showing annually for each railway in India the cost per mile open, *App.* 770-781.

Comparative statement (submitted by Major Conway-Gordon), showing the cost of construction of the several broad and narrow gauge lines, respectively, based on the capital outlay on 31st December 1882, *App.* 796, 797.

2. *Reduced Cost of Construction at the present time as compared with former Years:*

Greatly reduced cost of construction as compared with former years, *Sir J. Caird* 380-384—— Average of 13,500 *l.* per mile as the cost hitherto of broad and narrow gauge lines, whilst the present cost would be hardly half so much, *ib.* 384——Favourable time at present for economical construction, *ib.* 398.

Advantage of the lower rate at which capital could now be raised for Indian railways than in 1878-79, whilst the cost of construction would be much less, *Sir J. Caird* 436-438——Prospect of considerable extension with financial success by reason of the much lower capital outlay required than in former years; average of 13,500 *l.* per mile as the cost of existing railways, whilst lines can now be made for less than half that amount, *ib.* 451, 452.

Statement that the cost of Indian railways is at the present time about one half of what it was formerly; one of the chief causes of this cheapness of construction is the decreased price of materials, *Chapman* 796. 800. 807-809. 836-844. 854-861. 937-939 —— Unusually low price of railway materials, especially iron, at the present time, *Glover* 1947. 2191-2200. 2241, 2242—— Very heavy increase in the cost of construction which will

Report, 1884—*continued.*

COST OF LINES—continued.

2. *Reduced Cost of Construction, &c.*—continued.

will take place if the work be delayed until the prices of materials are much higher than at present, *Glover* 2081-2084.

Important saving in the cost of construction by the employment of competent and experienced engineers, *Dickens* 3048; *Conway-Gordon* 4727-4730; *Rendel* 5652-5657. 5666-5671. 5721-5725. 5860-5863. 5961-5968——Opinion that the cost of construction of the old lines under guarantee was very much increased by the insufficiency of the Indian experience of the engineers employed by the Government, *Dickens* 3233-3237.

Undoubted opinion that railways can be built very much more cheaply than when the East Indian line was made; the cost of the latter was about 22,000 *l.* a mile; whereas now a broad gauge line can be constructed at about 6,000 *l.* a mile, *Crawford* 3780, 3781.

Price of labour in India sent up by the extension of railway construction; explanation that notwithstanding the increased cost of labour the proposed new lines would not cost nearly as much as the guaranteed lines, *Westland* 4951-4955——Belief that railway materials, including rolling stock, were never so cheap as at the present time, *Rendel* 6005-6010.

Opinion that in many cases a railway could be constructed at a less cost than an expensive road over a difficult soil, *Ashburner* 6519——Diminution of one half in the cost of iron rails during the past three years, *Conway-Gordon* 6806, 6807.

Statement by Mr. Bell, Chairman of the British Iron Trade Association, as to the present time being very favourable for railway extension in India on account of the greatly reduced cost of iron and steel railway materials, &c., *App.* 647, 648.

Concurrence of evidence as to the cheapness of the materials used in construction, and as to the present being a favourable time for more rapid extension, *Rep.* viii——Facility to reduction of cost through the experience gained by the engineers, *ib.*

See also *Capital. Construction and Working. Expenditure. Financial Results of Railways. Gauge. Guaranteed Railways. State Railways.*

Cost of Working. See *Working Expenses.*

Cotton. Belief that as a consequence of railway extension in India there would not be a very great development in the cotton trade, owing to the competition of the American crop, *Coke* 1421.

Statement that cotton is one of the largest exports from India; great advantage of railways in bringing the merchant into contact with the grower, *Lord* 2461. 2551-2559——Important fact that the Indian cotton competes on favourable terms with that raised in America; valuable operation in this respect of the railway which was constructed lately between Ahmedabad and Ajmeer, which brings cotton to Bombay instead of Calcutta, as formerly, *ib.* 2461, 2462.

Complaint that although India cotton is one half the price it was in 1869, yet the Great Indian Peninsula Railway Company are charging more for carriage than they did in that year, *Bythell* 2617-2620——Contention that the result of the high charges on the Great Indian Peninsula line will be that the cotton cultivation will be driven from India to America, *ib.* 2641, 2642.

Cotton Goods. Return of the quantities and value of cotton piece goods imported from foreign ports into each province of British India in each year from 1866-67 to 1882-83, *App.* 783,

Council of India. See *the Headings generally throughout the Index.*

Crawford, Robert Wigram. (Analysis of his Evidence.)—Witness, who is Chairman of the East Indian Railway Company, was formerly a member of one of the largest mercantile houses in Bombay; he represented the City of London in Parliament from 1857 to 1874; 3657-3659. 3943, 3944.

Strong opinion that the demand for a considerable extension of railways in India is not justified, and is very much exaggerated; grounds for this conclusion, 3660-3663. 3924. 3945, 3946——Abnormal character of the large export of grain and other articles from India within the last two years, which has led to this mistaken demand for increased railway accommodation, 3660——Belief that the public mind in this country is very imperfectly informed in regard to Indian affairs generally, 3662.

Statement that Bombay and Calcutta are the only two ports in India from which the products of the greater part of the country find their way to foreign lands; argument that these two ports are at present amply served by great trunk lines, 3662, 3663. 3919-3926——Strong opinion that all that is required is to develope and extend the trunk lines already made; assertion that physically there is not room for another trunk line into Bombay, 3664. 3744. 4019-4021.

Information generally with reference to the proposed line from Jhansi to Cawnpur; contention that there is no need for this line for commercial purposes, although it may

Report, 1884—*continued.*

Crawford, Robert Wigram. (Analysis of his Evidence)—*continued.*

be needed as a famine line, 3664, 3665. 3672-3681. 3754-3758. 3884-3897. 3930-3933. 3945. 3985, 3986.

Grounds for considering that a through line from Calcutta to Bombay, *viâ* Nagpur, is not required for the development of the resources of the country; the goods traffic between these two places is next to nothing at the present time, nor is there any indication of there being much in the future, 3664, 3665. 3685-3687. 3759-3769. 3934, 3935. 3967-3969.

Impossibility for the Great India Peninsula Railway Company to compete on equal terms with the East Indian Railway in the event of a line being constructed from Calcutta to Bombay; detailed comparison of the rates charged by the two lines, 3664-3672. 3674. 3745-3753. 3782-3791. 3877-3882. 3950-3953.

Disapproval of the East Indian Company being subjected to such a competition by the proposed new line as will compel the rates to be reduced to an unreasonable degree; admission, however, that the former company have now conditional power to reduce the rates, 3669-3672. 3782-3791. 3816-3822. 3850-3856——Considerable difference in the opinions of Mr. Glover and Dr. Hunter (the author of the Universal Gazetteer of India) on the subject of the fertility of the country between Jhansi and Bhopal, 3675-3677. 3857-3861. 3930-3933.

Additional competition to which the Great Indian Peninsular Company would be exposed from the Rajputana, Bombay, and Baroda line, 3678, 3679——Great advantages which the port of Bombay possesses over that of Calcutta, especially in regard to the shorter voyage to all European ports; mercantile intelligence and enterprise also superior to that at Calcutta, 3682-3684. 3710-3716. 3728-3733. 3737-3743. 3831-3833.

Larger facilities for conducting the trade from the interior of India to Europe through Bombay than through Calcutta, 3683——Strong efforts at Calcutta to keep up with Bombay in regard to appliances for the port; construction by the East Indian Railway Company of an embankment, 2,000 feet long, on the Hooghley, 3682, 3683. 3710, 3711.

Objection to the new scheme, *viâ* Nagpur, on the ground that it is an intrusion of the Bombay system into the East India system; it was a principle when the lines were originally allocated that one Presidency should not meddle with another in regard to railways, 3684. 3919-3926——Opinion that a through line from Calcutta to Bombay would be of no advantage except for five or six passengers who would travel once a week, 3686.

Approval of the construction of a line from Kutni to Calcutta, as suggested by the Secretary of State, for the purpose of giving access to the coal deposits in the Rewah country; statement as to the good character of this coal and its estimated cost of production, 3687-3690. 3768-3773. 3824-3830. 3954-3957. 3987-3989.

Proposal that a former scheme of the East Indian Railway for a line from Mogul Serai should be revived; explanation that if this line be made it will shorten the distance between Calcutta and Benares by seventy miles, 3691, 3692. 3774-3776. 3914-3918——Calculation showing that an additional traffic of about 340,000 tons which would be carried by the proposed line from Mogul Serai, would pay the interest upon the cost of construction, 3691, 3692. 3717-3719.

Grounds for the opinion that the principle of borrowing money in England for these undertakings, and so imposing a heavy addition to the liabilities of India, is altogether wrong; belief that there is in India a sufficient amount of money, and that it should be borrowed there, even though at a higher rate than in England, 3693-3695. 3720-3727. 3811 3815. 3834-3839——Suggestion that a loan should be issued in India without the privilege of receiving interest in England in the form of bills of exchange; strong belief that this course would be successful in obtaining the money in India from wealthy natives, 3694, 3695.

Explanation with reference to "State line terms" in regard to the working of small subsidiary lines or feeders; willingness on the part of the East Indian Company to take over on the Government terms any feeder lines which may be constructed on the same gauge as the East Indian, 3696-3709. 3777-3779. 3797-3802. 3823. 3840-3849. 3961-3966. 4007,4008——Difference of opinion between the Secretary of State and the Government of India in regard to the terms agreed to by the East Indian Company for working the feeder lines, 3697.

Statement that both the freight and the insurance from Calcutta are higher than from Bombay, 3712-3716. 3728-3733. 3948, 3949——Quantity of goods and minerals carried by the East Indian Railway in the half year to the 30th June 1883; the total amounted to 2,615,000 tons, 3717-3719——Statement that four to four and a half per cent. loans were taken up readily by natives in former times, 3723, 3724.

Belief

Report, 1884—*continued.*

Crawford, Robert Wigram. (Analysis of his Evidence)—*continued.*

Belief that the greater portion of the wheat from the Gangetic Valley has of late years gone to Calcutta rather than to Bombay, 3734-3736——Absence of competition between Calcutta and Bombay in regard to the export trade; very large competition between these ports in conducting the import traffic, 3741.

Impossibility of making an efficient port at Surat on account of the large size of the vessels of the present day, 3744——Great advantage possessed by the East Indian over the Great Indian Peninsula Company as regards the price of coal; the cost to the former company is at the rate of 1 *d.* per ton per mile, whilst to the latter it is from 5 *d.* to 6 *d.* per ton, 3745, 3746. 3950-3953. 3957.

Belief that the new line which is in course of construction from Jhansi to Mannickpur will partially serve the purposes of a famine line through that district, 3754-3758——Opinion that the greater part of the grain carried on the Great Indian Peninsula is wheat; statement that Bombay habitually imports rice, inasmuch as there is not enough for ten days' consumption in the whole of the Presidency, 3761-3767.

Expediency of investigating the question of a line from Bilaspur to Calcutta, as the country through which it runs is so very little known; entire absence of justification for a railway at the present time in that district, so far as local traffic is concerned, 3768, 3769——Opinion that a line in connection with the Rewah coal field worked as a State line would pay its expenses, 3770, 3771——Desirability of a line from Halpi to Cawnpore, which would be very inexpensive, as the country is quite flat, without waterway, 3777-3779.

Undoubted opinion that railways can be built very much more cheaply than when the East Indian line was made; the cost of the latter was about 22,000 *l.* a mile, whereas now a broad-gauge line can be constructed at about 6,000 *l.* a mile, 3780, 3781——Loss of about 3,000,000 *l.* to the East Indian line during the mutiny by the removal of 17,000 tons of rails, 3780.

Explanation in regard to the contract between the East Indian Railway and the Government as to the settlement of the rates and fares; impossibility for the company to reduce the rates without the sanction of the Government, 3782. 3791. 3816-3822——Statement that the first class fares on the Indian railways pay absolutely nothing in proportion to the rest of the traffic, 3792——Probability that if the third class fares were reduced further than they are at present it would entail large expenditure upon rolling stock on account of the increased numbers that would use the line, 3793-3796. 3819-3822. 3850. 3856.

Decided opinion that the arrangement between the Government and the East Indian Railway is an exceedingly good one; the company acts as contractor for the Government, and is bound to defer to them as the owners of the line, 3797-3801. 3823——Appointment of the directors of the company by the shareholders, and not by the Government, 3802-3804.

Belief that there would be very great difficulty, if it were attempted, to place the State railways under the management of a trust similar to that of the port of Calcutta or Bombay, 3805——Explanation of the means adopted by the East Indian Company to establish a staff of engineers of regular grades of service and salaries; decided objection to the system of competition as regards the appointment of junior engineers, 3806-3810.

Provident fund established by the East Indian Company, to which the officers contribute part, and the Government and the company provide one per cent. out of the surplus profits beyond five per cent., 3808, 3809——Statement that the development of Bombay means development of the direct continental trade with India, and less trade going through England, 3831-3833.

Witness submits that the proposal to spend from fifty to sixty millions sterling upon railways in India during the next five years is enormous, unnecessary, and uncalled for, 3861, 3862.

Statement that, assuming the Bhopal and Gwalior line were made, the tendency of the traffic below Agra would still be to Calcutta; entire absence in India of any system of running powers or facilities affecting particular traffic, 3862-3876——Belief that the only means of affecting the current of traffic one way or another would be by means of advertisements, 3876——Disapproval of a break of gauge as between a feeder and a trunk line; the decision as to the gauge of the proposed line from Kisni to Calcutta is to remain with the Government, 3887-3897. 3967, 3968. 4007, 4008.

Information with further reference to the relative merits of the ports of Bombay and Calcutta; contention that for every reason Bombay must remain always the best port of India as regards Europe, 3898-3909. 3948, 3949——Argument against the concentration of railways into Bombay rather than into Calcutta, for the reason that Calcutta has a large and growing business with the Australian Colonies and China, which must be considered, as well as that of Europe, 3902-3904.

Report, 1884—*continued.*

Crawford, Robert Wigram. (Analysis of his Evidence)—*continued.*

Additional assertion that there is an exaggerated importance attached to the construction of a through route between Calcutta and Bombay; contention that the local traffic between these places is a totally distinct matter from the through traffic, 3910-3913—— Admission that although the intrusion of Bombay railways into the Bengal Presidency would be opposed to the existing principle, still such intrusion would do no harm to the people of India, 3921-3926——Assertion that the Nagpur line to Calcutta would be too expensive, especially as it must cross five immense rivers in its course, 3934, 3935.

Further examination as to the expediency of raising the necessary funds in India for the projected railways, rather than in England; argument that the present generation are not justified in getting advantages at the expense of the future by the accumulation of a debt year by year against the natives of India, 3936-3942. 3970-3979.

Opinion that though the Bhopal and Gwalior line should be sanctioned, it should not be guaranteed by the Government at the expense of the people of India, 3945. 3985, 3986—— Impression that the coal lately obtained from Warora is of inferior quality, and the supply inadequate, 3955, 3956.

Conclusion that in forcing competition on the East Indian Company, the Government are to be blamed for jeopardising the interests of the line in which they themselves have a large stake; inexpediency of the Government going beyond their contract with the company in this matter, 3958-3960——Decided opinion that, regarding the interests of India, there is too much money being borrowed on her account, 3972-3976——Entirely different principles which govern the circumstances connected with loans to India and loans to America or Australia raised in England, 3973. 3976-3979.

Circumstances under which the Government of India objected to the reduction of the rates on the East Indian Railway, 3980-3984——Coal carried by the East Indian Railway to Jubbulpore for the use of the Great Indian Peninsula line; carriage of this coal only charged, as the coal fields do not now belong to the company, 3988, 3989—— Uniform rate for carriage charged by the East Indian Company equal to four-tenths of a penny per mile; belief that on the new line from Kutai the rate will be about the same, 3990-3993.

Great advantage of the control which the Government exercises over the East Indian line; expediency of extending their control to other lines when the contracts are brought to a conclusion, 3994-4002——Desirability for the Government in the future to establish lines on similar terms to those arranged with the South Mahratta Company, 3996-4002.

Identical terms made originally by the Government with the East Indian and Great Indian Peninsula companies; subsequent contracts made with other companies followed the lines of the earlier ones, 4002——Large improvement which has taken place in the finances of the railways since 1872; 4003-4006.

Information respecting the proposed line from Jhansi to Mannickpur; considerable expense in regard to the coal traffic on account of the difference in gauge between that line and the East Indian, 4009-4018.

[Second Examination.]—Paper handed in by witness showing the practical working of the East Indian Railway since the 1st January 1880; reference hereon to the testimony borne by Mr. Danvers to the good working of the line, 7436-7438.

Cuddapah-Nellore Railway. Particulars respecting this line, as proposed by the Government of India in January 1883; *App.* 524. 533.

Documentary evidence submitted by Major Conway-Gordon showing the views of the Government of India, and of the Madras Government, in favour of the construction of this line; approval on the part of the Secretary of State, *App.* 874-876. 919.

CULTIVATION OF THE SOIL:

Effect of the extension of railways in inducing more wide-spread cultivation, and in increasing the obligation to take effectual steps for the relief of famine, *Strachey* 275-278——Effect of the railways in increasing the product of the soil, but not in directly enhancing the amount of the land revenue, *ib.* 353-355.

Better position of India for resisting famine the more she is induced to grow rice, wheat, &c., by an increased foreign demand, *Sir J. Caird* 413——Extremely good cultivation in many parts of India; witness has seen some admirable cultivation of tobacco and sugar cane, *ib.* 564, 565.

Extensive tracts of country brought into cultivation by railways passing through them, *Chapman* 803—— Opinion that the natives of India are not quick to learn better modes of cultivation than they now possess, *Coke* 1398, 1399——Conclusion as to the increased cultivation and produce as a result of railway extension, *ib.* 1419-1421. 1496-1500. 1528-1531.

Important influence of railways on cultivation in the districts through which they pass; absence of desire on the part of the natives to raise more grain than they require for themselves

Report, 1884—*continued.*

CULTIVATION OF THE SOIL—continued.

themselves when they have no means to take it to a market, *Glover* 1890. 1905, 1906. 1944, 1945. 1949–1954. 1962–1965. 2134. 2158. 2163–2166. 2247–2251. 2671–2675 ——In those districts in India, which can never be cultivated, witness would not advise the construction of a railway, *ib.* 2158——Enormous increase in the cultivation in the district between Nagpur and Bhusawal since the construction of the great Indian Peninsula line, *ib.* 2247–2249.

Grounds which amply justify the Government in making new railways to a great extent; statement that there are nine million acres of land in the Punjaub which would probably be brought into cultivation if railways were made, *Bythell* 2607–2610. 2614. 2704–2710.

Examination in regard to the importance of developing the railway system, with the object of increasing the material prosperity of the cultivators; a great many more railways even than those now proposed will be required to fully develop the country, *Conway-Gordon* 5453. 5455. 5469–5475. 5530–5532——Belief that at the present time there is in India a large portion of waste land capable of cultivation; instance of this fact in the district between Mooltan and Lahore, which only wants a canal made through it, *ib.* 5453. 5469–5474.

Extensive districts where the culture of grain would be very much stimulated and increased by the construction of railroads; vast portions of the country that are not within reasonable distance of any line at the present time, *Rendel* 5662–5665. 5975–5989.

Advantages which have accrued to India from the extension of the railways; large districts of jungle which have of late years been brought under cultivation as one of the results, *Ashburner* 6348–6350. 6417–6420. 6425–6429. 6520–6525——Extensive districts available for cultivation in the Deccan, *ib.* 6525.

Information respecting the large quantity of land in India which though cultivable is not at present cultivated; great influence of railways in increasing cultivation, *Hunter* 7161–7164. 7170. 7241–7244.

Tendency of the stimulus of high prices to induce the people not merely to substitute wheat for less remunerative crops, but also to improve their crops and to extend the area of cultivation, *Rep.* vii.

See also *Condition of the People. Cotton. Grain. Wheat.*

Cunningham, H. S. Minute by him in January 1884, as a member of the Famine Commission, relative to the productive character of certain lines; importance attached to their rapid construction, *App.* 578–580.

D.

Dacca-Mymensingh Railway. Estimated cost and results of this line; progress being made with its construction, as in January 1883; *App.* 525. 532.

Documentary evidence submitted by Major Conway-Gordon respecting this line, as proposed by the Government of India, its advantages, estimated cost, &c.; sanction given by the Secretary of State, *App.* 915–917. 919.

Dalyell, R. A. Views of R. A. Dalyell, concurred in by Frederick James Halliday, as contained in Minute of 18th August 1883, respecting the policy to be pursued in the extension of railways, and the giving of guarantees, *App.* 620, 621.

Damacherla-Vellore, &c. (Madras). Documentary evidence, and extracts from official correspondence, respecting the proposed construction of this line, and its advantages; sanction not yet given by the Secretary of State, *App.* 876. 920.

Danvers, Juland. (Analysis of his Evidence.)—Witness is secretary in the Public Works Department at the India Office, and also Government Director of the Guaranteed Railway Companies; he visited India and went over all the railways in the year 1875–76; 6865. 6965–6968.

Information generally respecting the cost and working of the railways; opinion that the results of the working are very encouraging, as showing improved returns and an expansion of traffic, 6866–6870. 6906–6915. 6931–6939. 6969–6981——Extent of railways now in process of construction, 6869.

Strong opinion that a more rapid extension of railways is desirable, if it be carried out judiciously; expectation that an expansion of the railway system will have, for various reasons, most beneficial results, 6871. 6873. 6887. 7016–7027——Expediency that any future expenditure upon railways should not in any way involve increased taxation; belief that there are no districts in India where increased taxation can be borne by the people, 6872. 7005. 7023, 7024. 7038. 7071.

Report, 1884—*continued.*

Danvers, Juland. (Analysis of his Evidence)—*continued.*

Information as to the means to be adopted for raising money for the construction of new lines; expediency of borrowing as much as possible in India, 6872. 6874. 7028–7050. 7072–7075——Desirability of leaving the Government to exercise its own discretion as to borrowing, 6872.

Approval of the Government giving a limited guarantee on the best terms that can be obtained; expediency, nevertheless, of a permanent guarantee, if it be necessary, to enable railways to be carried out extensively, 6872. 6898–6905. 7010–7015——Opinion that the proposals of the Government of India in regard to the construction of railways are reasonable, and that they can be carried out without inconvenient financial pressure, 6873. 7076–7079.

Grounds for considering it desirable that forecasts of railway construction should be made every year, embracing estimates for the five succeeding years, 6873. 7072——Approval of the Government giving to private companies similar terms to those of the South Mahratta Company, in the case of lines which are not expected to be remunerative; opinion that the same terms should be granted to famine lines, 6874. 6885. 6900, 6901. 6943–6962. 7083–7106——Suggestion that the terms of the Bengal Central Railway contract should be given in the case of lines which are likely to pay, 6874. 7082, 7083. 7085–7090.

Expediency of employing companies as the agency for the construction, and especially for the working of the proposed lines; grounds for this opinion, 6875–6877. 6879–6882. 6916. 6939–6942. 6982–6989. 6998–7002——Statement that the working of the East Indian Railway by a private company has led to the very best results, 6876.

Suggestions generally as to the best course to be adopted for encouraging private enterprise for the construction of new lines; great importance of a comprehensive Railway Act of the Indian Legislature similar to the "Companies Clauses Consolidation Act," 6878. 6880–6882. 6884–6886. 7080–7103——Advocacy of the appointment of a small railway commission as a tribunal for the settlement of disputes regarding rates and other matters, 6878. 6917–6922.

Belief that a time will come when railway enterprise will be attracted to India from England without the aid and support of Government, 6879. 7089——Desirability in future contracts that the present onerous terms of purchase by Government should be avoided, 6882——Probability of the lines being remunerative in the future if they are constructed economically and managed skilfully, 6883. 6931–6933——Increase of the Land Revenue resulting from the construction of railways, 6887. 7021.

Opinion that the gauge of each future line should be determined according to its special circumstance; expediency of having the chief trunk lines constructed upon the broad gauge, 6888. 6893, 6894——Desirability of reducing the rates and fares to as low a point as is compatible with fair profits; suggestion that the rates should be regulated by legislative enactment as is done in this country, 6889–6891. 6923–6929. 6993–7002.

Great importance of the line from Calcutta to Nagpur, which should be constructed as cheaply as possible, 6891, 6892——Decided opinion that the Bhopal, Gwalior, and Cawnpore Extension should be on the broad gauge; contention that this line is of such importance that it should be undertaken at once, 6895–6897.

Explanation as to the cost of the Central Bengal line being so much less than that of the Eastern Bengal; large and difficult bridges which were necessary on the latter line, 6908–6913——Direct control possessed by the Government over the rates of the East Indian Railway down to a certain minimum, 6928, 6929.

Contention that although the Government have taken over losing lines at a small premium, it does not prove that the lines would have been managed better had they been undertaken in the first instance by the Government, 6940–6942——Statement of the advantages which would result from employing a company under the terms of the South Mahratta line, 6957–6962.

Information respecting the antecedents of the directors connected with Indian railways, 6963, 6964——Desirability of allowing existing companies to construct some of the proposed new lines, especially these in connection with their own railways, 6983–6986.

Further examination in regard to the results of the working of Indian Railways; contention that it is fair to look to the profits on existing lines as a source from which interest may be paid on the capital for future lines, 7003–7009. 7016–7027. 7058–7068——Belief that a guaranteed interest of 3½ per cent. ought to be sufficient to induce capitalists to make the railways, provided that they were allowed to increase that interest by surplus profits, 7010–7015.

Increased prosperity of the natives resulting from the introduction of railways; largely increased import of Manchester goods into India of late years, 7025–7027——Argument that the famine lines while mitigating famine and saving life, will also help to increase produce as well as exports; opinion that the Government for this reason should raise money in this country at a low rate of interest for the purpose of making such lines, 7041, 7042. 7051–7057.

Explanation

Report, 1884—*continued.*

Danvers, Juland. (Analysis of his Evidence)—*continued.*

Explanation that if within the five years forecast some accident occurred to interfere with the revenue the expenditure on State works would have to be suspended; if, however, the engagements were with companies the works would go on as usual under their contracts, 7072, 7073——Belief that the shareholders would not object to the principle of dividing profits in the event of further guarantees being given by the Government, 7080–7090.

Opinion with reference to the South Mahratta terms that if the payment of interest were made a sterling instead of a rupee transaction the security would be more acceptable to the public, 7091–7095——Contention that the Government should not pay interest upon any excess of guaranteed capital which it might be necessary to raise by the companies; expediency of the guarantee being strictly limited, and the risk thrown on the company, 7099–7103——Explanation of the terms by which the Government are bound to the South Mahratta line for twenty-five years, 7104-7106.

Debentures (*Guaranteed Capital*). Desirability that as much as possible of the capital of guaranteed lines should be in the form of debentures; grounds for this opinion, *Westland* 4771. 4855–4858. 5022–5027.

Debt of India. Disadvantage in the required railways being constructed by the State, on account of the large increase thereby to the debt of India, *Strachey* 1101–1108. 1126.

Statement of the outstanding debt of India, distinguishing between ordinary debt and debt on account of productive public works, in each year since 1870; *App.* 623—— Total of 161,297,803 *l.* in 1884, *ib.*

Amount of annual reduction of debt since 1881–82; *App.* 663——Statement showing the amount of debt incurred or discharged in each year since 1867-68, *ib.* 696, 697.

See also *Financial Condition of India. Loans.*

Deccan. See *Bombay. Western Deccan Railway.*

Delay. Recommendation by the Committee that negotiations respecting new lines should be conducted as expeditiously as possible, so as to avoid all unnecessary delays in arranging contracts, *Rep.* xi.——*See* also *Extension of Railways.*

Dharmavaram District. Statement showing the area, population, and loss of popuplation, during the famine in this district, *App.* 587.

Dhond-Manmad Railway. Return showing for each year the mileage, average age, cost, and general results of working, *App.* 778.

Dickens, Lieutenant Colonel, C.B. (Analysis of his Evidence.)—Witness was thirty-eight years in India, during several of which he filled the office of Secretary in the Public Works Department; he is now Chairman of the Bengal Central Railway, 3044, 3045.

Conclusions generally as to the expediency of extending the railway system in India; suggestions with reference to the mode to be adopted for deciding as to the annual scale of expenditure upon the works, 3046–3048. 3055–3064. 3110–3124. 3151–3177. 3212–3215. 3225–3232——Opinion that the present state of Indian finances quite justifies the expenditure by the Government of a much larger amount than that recommended by the Parliamentary Committee of 1878–79; 3046–3048.

Advisibility of preparing a forecast of operations in regard to railways, which should be revised from year to year; uniformity in the rate of outlay is very important towards cheap construction, 3048. 3063–3178——Belief that the most rapidly remunerative outlay would be on the feeding branches to existing lines; though the branches might not pay in themselves, they would pay in the traffic which they would bring on the main lines, 3048. 3117–3124. 3167.

Great importance that the railway works should not be expensive; a large element in cheap construction is a sufficient proportion of engineers having Indian experience, 3048 ——Disagreement with certain evidence to the effect that much inconvenience and loss have been caused by the want of experience on the part of railway engineers appointed by the Government, 3049–3054—— Opinion that the amount which could judiciously be laid out annually upon railway extension might amount to something between three and five millions, 3055.

Strong approval of the new railways being constructed partly by the Government and partly by companies with Government guarantees; expediency of giving the Government establishment paying as well as non-paying lines, with the view of keeping it efficient, 3058–3060. 3064, 3065. 3168, 3169. 3212–3215——Decided opinion that there is great scope for the extension of railways in India, on the condition that economy is exercised in the construction, 3061, 3062.

Suggestions generally as to the steps which ought to be taken for the purpose of obtaining capital for the schemes; opinion that to make sure of floating new companies there should be a Government guarantee of four per cent., 3065–3077. 3183–3186. 3225–3228. 3238–3249. 3258–3270——Advisability in regard to railways that are not likely to

Report, 1884—*continued.*

Dickens, Lieutenant Colonel, C.B. (Analysis of his Evidence)—*continued.*

to pay more than four per cent. of adopting similar terms as have been given to the South Mahratta Company; permanent guarantee of three and a-half per cent., and a half per cent. temporary guarantee for seven years, given to this company, in addition to one quarter of the total net earnings, 3066-3073. 3313.

Opinion that the existing contracts with guaranteed companies, by which they are enabled to debit rupees at a fixed value of exchange, has been a disadvantage to the Indian Government; expediency of the Government securing itself in the future by making the guarantee dependent on the exchange, 3078-3085——Explanation with reference to the arrangements made by the Government in the case of the Bengal Central Railway, which is a broad gauge line; considerable premium which the shares of this company now realise in the market, 3086-3091. 3099, 3134-3139. 3190, 3191. 3216-3219——Further approval of the Government giving a permanent guarantee and claiming a share of the annual profits, 3092.

Statement as to the terms made with Government by the Bengal and North Western Company, which is a narrow gauge line; entire absence of guarantee in the case of this company, the shares of which are at present at a considerable discount, 3093-3097. 3192-3196. 3221——Estimate that the cost of the Bengal Central line will be about 6,000 *l.* a mile, and that of the Bengal North Western 4,500 *l.* a mile; contention that these two lines form the basis of a fair comparison of the cost, as between the metre and the standard gauge, 3100-3109 3197-3211.

Opinion that the former action of the Indian Government in discharging a large number of engineers was inexpedient; approval of increasing this staff at the present time, 3125-3133. 3140-3150. 3271. 3285-3287——Belief that the Bengal Central line is the only one in India with a guarantee during construction, which is to cease after the line is completed; importance that a company should be assured of its ultimate success before they consented to terms of this kind, 3135-3139.

Statement that for various reasons there would be greater difficulty for the Government to engage engineers than would be the case as regards private companies; expediency, if these difficulties can be surmounted, for the Government to engage these officers on the same terms as the companies would do, 3140-3150.

Desirability of constructing a main line from Chittagong into Cachar, possibly to be ultimately extended to Assam; belief that such a line would pay if it were chiefly made, 3151-3156——Doubtful opinion as to the financial prospects of a line from Nagpur to Calcutta, 3159, 3160.

Opinion that the selection of the line from Bhilaspur through Saugor and the newly discovered coalfield of Rewah is not a very good one, 3161-3162——Belief that the proposed line from Cawnpore to Bhophal ought to pay on account of the through rather than from the local traffic, 3163-3166.

Great importance in the employment of engineers that they should possess large Indian experience as well as a knowledge of technical engineering, 3179-3182. 3233-3237——Inexpediency of placing Indian railways under the management of public bodies similar to port trusts in India, 3187-3189——Comparison of the relative cost of the broad and narrow gauge, including rolling stock and stations; this is about as 1,500 *l.* to 2,000 *l.* in favour of the narrow gauge, 3197, 3198. 3222-3224.

Statement that at the present time there is a growing revenue from railways, which growth may be calculated to go on, 3231——Opinion that the cost of construction of the old lines under guarantee was very much increased by the insufficiency of the Indian experience of the engineers employed by the Government, 3233-3237.

Further evidence and suggestions respecting the construction of railways by means of companies under a guarantee; expediency of the Government giving a perpetual guarantee of 4 per cent., 3238-3251. 3258-3270. 3290-3304——Absence of difficulty in obtaining at any moment a sufficient staff of competent engineers for railways so long as the amount of construction is kept within moderate limits, 3271-3274——Approval of a training college for the education of young men, as engineers, Government having the advantage of their services at a moderate renumeration, 3287-3289.

Strong opinion that the Government of India cannot rely upon public companies to supply any large amount of capital except with a substantial guarantee, 3305-3308. 3311-3317——Expediency of Government, in the interests of the people of India, keeping a large portion of the profits of railways and not giving them all over to the companies, 3305.

Populous country with large produce through which the Bengal North-Western Railway runs, 3309, 3310——Great advantage in the system of supervision and audit now in operation, which tends to prevent waste of money, such as existed in the case of private companies in former years, 3314-3317.

Statement that the lines which pay best are those which rely chiefly on goods traffic, 3318——Approval of there being maximum rates in the case of any new railway, and

that

Report, 1884—*continued.*

Dickens, Lieutenant Colonel, C.B. (Analysis of his Evidence)—*continued.*

that the Government should have power to vary the rates from time to time, 3319-3324.

Dildarnagar-Ghazipur Railway. Return showing for each year the mileage, average age, cost, and general results of working, *App.* 777.

Directors. Statement that there is nothing prejudicial to the development of trade and commerce in the presence of Government directors on the boards of private companies, *Chapman* 765-767. 783-785——Statement that the directors of the Indian Railway Companies are as a rule nominated by the other directors, the nomination being subsequently confirmed by the shareholders, *Rendel* 5964-5971——Opinion that a Board of Directors in India as well as in England would be a mistake, *ib.* 5973.

Information respecting the antecedents of the directors connected with the different railways; total of sixty directors, some of whom are on the boards of several companies, *Danvers* 6963, 6964.

Dispatch Companies. Suggestion that a system of dispatch companies should be established in India for the promotion of traffic, similar to those in America, *Graham* 2744, 2745.

Division of Profits. Opinion that the shareholders would not object to the principle of dividing profits in the event of further guarantees being given by the Government, *Danvers* 7080-7090.

Dual Control. See *Administration and Management.* *Guaranteed Railways.*

E.

Eastern Bengal Railway. Forcible illustration in the case of the Eastern Bengal Railway of the enhanced amount of purchase money entailed on Government by the operation of the guarantee at the expense of the resources of India, *Strachey* 19.

Average of 20,000 *l.* a mile as the cost of the Eastern Bengal Railway when constructed, *Chapman* 808, 809 —— Economical reasons which have led the Government to propose to purchase the railway, *Conway-Gordon* 4092-4097.

Statement that although there has been a falling off in the traffic returns of the Eastern Bengal Railway there is no reason to doubt that the traffic on Indian Railways generally will increase, *Conway-Gordon* 5456-5459.

Revenue accounts for each half-year from 31st December 1881 to 31st December 1883, *App.* 760, 761.

Statement showing for each year the mileage, average age, cost, and general results of working, *App,* 771.

Statistics of the cost of working under different heads, *App.* 798 *et seq.*

East India Association. Representation by witness of the East India Association, the committee of the Association being strongly in favour of a large and rapid extension of railway communication in India, *Anderson* 711-714.

Explanation that witness is not prepared to submit evidence in support of the memorial recently sent to the India Office by the Association; that is, as regards the precise ways and means of securing the proposed extension of railways, *Anderson* 724-731.

Witness, who was formerly a merchant in Calcutta, and was for some years a member of the Legislative Council, represents and submits the views of the East India Association in regard to railway extension, *Bullen-Smith* 2296 *et seq.*

EAST INDIAN RAILWAY:

1. *Administration by the Company; its Efficiency.*
2. *Rates; Control Exercised by Government.*
3. *Feeder Lines or Branches.*
4. *Traffic, Working Expenses, and Net Revenue.*
5. *Question of Loss by Exchange in respect of Capital.*
6. *Other Details on various Points.*

1. *Administration by the Company; its Efficiency:*

During the famine of 1874 the East Indian Company did the work very well, but made the Government pay heavily, *Strchey* 250, 251 ——Inducement to extravagance by the guarantee on the Company's capital after the shares had reached a premium, though witness considers this as the best managed line in the world, *ib.* 304.

Evidence in detail to the effect that the line is managed with economy and efficiency, as shown by the results, *Rendel* 5621-5623. 5718-5720.

Report, 1884—*continued.*

EAST INDIAN RAILWAY—continued.

1. *Administration by the Company; its Efficiency*—continued.

Statement that the working of the East Indian Railway by a private company has led to the very best results, *Danvers* 6876.

Statistics in confirmation of the efficient working of the line, as testified by Mr. Danvers, *Crawford* 7436-7438; *App.* 710-712.

2. *Rates; Control Exercised by Government:*

Disapproval of the East Indian Company being subjected to such a competition by the proposed new line from Calcutta to Bombay as will compel the rates to be reduced to an unreasonable degree; admission, however, that the former Company have now conditional power to reduce the rates, *Crawford* 3669-3672. 3782-3791. 3816-3822. 3850-3856——Arrangement of the Company with the Government as to rates and fares; necessary sanction of Government before reduction, *ib.* 3782-3791. 3816-3822.

Decided opinion that the arrangement between the Government and the East Indian Railway is an exceedingly good one; the Company acts as contractor for the Government and is bound to defer to them as the owners of the line, *Crawford* 3797-3801. 3823——Statement that in forcing competition on the East India Company, the Government are to be blamed for jeopardising the interest of the line in which they themselves have a large stake; inexpediency of the Government going beyond their contract with the Company in this matter, *ib.* 3958-3960——Circumstances under which the Government objected to the reduction of the rates, *ib.* 3980-3984.

Uniform rate for carriage charged by the East Indian Company equal to four-tenths of a penny per mile; belief that on the new line from Kutai the rate will be about the same, *Crawford* 3990-3993.

Large power possessed by the Railway Company of still further reducing the rates if it should be necessary, *Rendel* 5621.

Direct control possessed by the Government over the rates of the East Indian Railway down to a certain minimum, *Danvers* 6928, 6929.

3. *Feeder Lines or Branches:*

Explanation with reference to "State line terms" in regard to the working of small subsidiary lines or feeders; willingness on the part of the East Indian Company to take over on the Government terms any feeder lines which may be constructed on the same gauge as the East Indian, *Crawford* 3696-3709. 3777-3779. 3797-3802. 3823. 3840-3849. 3961-3966. 4007, 4008——Difference of opinion between the Secretary of State and the Government of India in regard to the terms agreed to by the Company for working the feeder lines, *ib.* 3697.

4. *Traffic, Working Expenses, and Net Revenue:*

Quality of goods and minerals carried by the East Indian Railway in the last year to the 30th June 1883; the total amounted to 2,615,000 tons, *Crawford* 3717-3719.

Statistics as to the cost of working the railway, showing the remarkably low rate at which both passengers and goods are carried; general admission that there is no railway in the world which is worked at so low a cost as the East Indian, *Rendel* 5621-5623. 5718-5720——Assertion that the traffic on this railway is as large as that on the London and North Western line, and is carried at one-half the charge, and one-third the cost, *ib.* 5621-5623. 5937.

Statement that although one or two of the metre gauge lines carry heavier passenger loads than the East Indian, they do not carry so much goods on the whole, *Rendel* 5623——Explanation that the traffic of the railway, both in passengers and in goods, is about twice as much as that of any other Indian line, *ib.* 5624.

The actual number of passengers carried over the East Indian Railway in the half-year ending 30th June 1883 was 5,619,414, *Conway-Gordon* 6850.

Statement showing the direct annual gain or loss to the State from railway outlay in each year since 1858-59, *App.* 558.

Statistics showing in aggregate sums the total cost, gross receipts, working expenses, net revenue, &c., *App.* 622.

Gross earnings, working expenses, and net revenue in each year since 1878-79, *App.* 633, 634.

Extract from "The Railway Gazette" of 27th July 1883, containing sundry details respecting the traffic and earnings of the East Indian Railway, as being the cheapest railroad working in the world, *App.* 649651.

Comparison between the East Indian, the Great Indian Peninsula, the Rajpootana-Malwa, and the Bombay, Baroda, and Central Indian Railways in 1883, and in other years, when the traffics on the other lines approximated to that of the Rajpootana-Malwa in 1883, *App.* 653.

Paper

Report, 1884—*continued.*

EAST INDIAN RAILWAY—continued.

4. *Traffic and Working Expenses, and Net Revenue*—continued.

Paper submitted by Mr. Crawford containing sundry details relative to the working of the undertaking for the four years, 1880-1883, *App.* 710, 711——Summary of receipts and expenses under different heads, *ib.* 712.

Revenue accounts for each half-year from 31st December 1881 to 31st December 1883, *App.* 761.

Statement showing for each year the mileage, average age, cost, and general results of working, *App.* 770.

Statistics of the cost of working under different heads, *App.* 798 *et seq.*

Financial results in the case of this line since 1879-80, *App.* 852.

5. *Question of Loss by Exchange in respect of Capital:*

Particulars respecting exchange in connection with capital transactions; conflicting statements on the part of the Secretary of State in Council and of the Government of India, *App.* 700-709.

6. *Other Details on the various Points:*

Difficulty at first in organising any proper supervision over the construction of the East Indian Railway; efficient Government officers now available for this purpose, *Strachey* 308——Probability that the Government might have succeeded in borrowing on better terms than the company, *ib.* 309, 310.

Illustration in the case of the East Indian Railway of the great value of lines through populous districts sometimes visited with famine, *Sir J. Caird* 444-446.

Explanation regarding the inconveniences experienced last year through the great scarcity of wagons on the East Indian Railway, which resulted in a serious block at Howrah; the chief cause of this block was the insufficient port accommodation at Calcutta, *Bullen-Smith* 2413-2415. 2438-2440.

Loss of about 300,000 *l.* to the East Indian line during the Mutiny by the removal of 17,000 tons of rails, *Crawford* 3780——Appointment of the directors of the company by the shareholders, and not by the Government, *ib.* 3802-3804——Provident fund established by the company, to which the officers contribute part, and the Government and the Company provide one per cent. out of the surplus profits beyond five per cent., *ib.* 3808, 3809.

Large amount of extraordinary work being carried out on the East Indian Railway at the present time at the expense of reserve, *Rendel* 5621——Two-thirds of the line are single, and one-third double, *ib.* 5622. 5625.

Elliott, C. E. Minute by him in January 1884, as a member of the Famine Commission, relative to the protective character of certain lines; importance attached to their rapid construction, *App.* 580.

Emigration (Natives). Very little disposition among the natives to emigrate from one district to another, *Sir J. Caird* 447——Instance of the readiness of the natives to emigrate when employment is available, *Birkmyre* 3331, 3332.

Impossibility of inducing the natives to migrate so as to avoid the danger of famine; emigration is utterly alien to the native manner of life, *Westland* 5233, 5234.

Statement that of the total population there are from twelve to fifteen millions of the people who have either themselves migrated or are the children of immigrants, *Hunter* 7160.

Employment. Great benefit anticipated as regards diversity of employment from the extension of railways in India, *Sir J. Caird* 381. 432, 433——Advantage in the employment of able-bodied natives in the construction of lines in famine time, *ib.* 402. 632, 633.

Further statement as to the advantage of construction in time of famine so as to give employment, though in any case the more populous districts should first be protected, *Sir J. Caird* 665-670——Grounds for the opinion that railway extension is very advantageous as leading to diversity and increase of employment, *ib.* 692-695. 698.

Statement that though all the railway superintendents are Englishmen and Scotchmen the whole of the actual work, including the construction of the largest bridges, is done by natives, *Glover* 1920-1922——Belief that Indian labour might be very much more utilized than it is at present upon railway works, *ib.* 1938-1940——Native labourers though more sober than Europeans are not so trustworthy in money matters, *ib.* 2004-2006.

Further examination in regard to the available local labour in India and the tendency for its cost to increase; explanation that the cost of coolie labour being so small, the proposed extension of railway work would not affect it very much, *Glover* 2086-2097. 2150-2153. 2201-2203. 2244-2246.

Report, 1884—*continued.*

Employment—continued.

Considerable extent to which the railways in India conduce to the employment of labour; 95 per cent. of the employés are natives, *Lord* 2462.

Large number of up-country men employed by witness at Calcutta, the natives readily migrating if they have an inducement in the way of employment, *Birkmyre* 3331, 3332——Conclusion that one of the most undeveloped resources of India is her saleable labour; examples illustrative of this view, *ib.* 3338. 3391–3394.

See also *Emigration.* *Plate-laying.*

ENGINEERS (*RAILWAYS, &c.*):

Efficiency of the Government military engineers employed in working the lines; separate establishment kept up specially for India, *Strachey* 1227–1229.

Information respecting the Engineers' College at Poonah; statement that many of the natives who were trained there are now holding responsible positions as executive engineers and as contractors, *Coke* 1253. 1407–1409. 1506–1509.

Great obstruction met with by witness in his dealings with the official engineers of the Government; instances in support of this statement, *Glover* 1881–1888. 1923–1932. 2013–2015. 2029–2035. 2061–2070—— Less practical knowledge possessed by the Government engineers than by those employed by private companies, *ib.* 1882——Necessity in the case of Government works for witness, as contractor, to add 10 per cent. to his rates, because of the obstruction met with from the executive engineers and other officials, *ib.* 1927–1932. 2111–2122.

Additional evidence respecting the inconveniences resulting from the constant friction between the contractors and the Government engineers; instance of a firm of contractors obliged to leave India and give their contract up, from this cause, *Glover* 2111–2122. 2207–2240——Delay on the part of Government in payment of the contractors' monthly certificates, *ib.* 2112.

Expediency that every engineer engaged on works of construction in India should have had previous experience either in that country or in England, *Glover* 2145, 2146——Efficiency of native engineers who have been educated and trained in the Indian Engineering College, *ib.* 2147–2149.

Importance of a rule being laid down by the Director General of State Railways that no executive engineer or engineer-in-chief should be appointed to supervise a contract unless he has had previous experience in India, *Glover* 2232–2240.

Disagreements with certain evidence to the effect that much inconvenience and loss have been caused by the want of experience on the part of railway engineers appointed by the Government, *Dickens* 3049. 3054——Opinion that the former action of the Indian Government in discharging a large number of engineers was inexpedient; approval of increasing the staff at the present time, *ib.* 3125–3133. 3140–3150. 3271. 3285–3287——Statement that for various reasons there would be greater difficulty for the Government to engage engineers than would be the case as regards private companies; expediency, if these difficulties can be surmounted, for the Government to engage those officers on the same terms as the companies would do, *ib.* 3140–3150.

Great importance in the employment of engineers that they should possess large Indian experience as well as knowledge of technical engineering, *Dickens* 3179–3182. 3233–3237——Absence of difficulty in obtaining at any moment a sufficient staff of competent engineers for railways so long as the amount of construction is kept within moderate limits, *ib.* 3271–3274——Approval of a training college for the education of young men as engineers, Government having the advantage of their services at a moderate remuneration, *ib.* 3287–3289.

Explanation of the means adopted by the East Indian Company to establish a staff of engineers of regular grades of service and salaries; decided objection to the system of competition as regards the appointment of junior engineers, *Crawford* 3806–3810.

Circumstances under which witness was employed under a civil engineer upon his obtaining his first commission as a Royal Engineer under the old East India Company; explanation that his service has been entirely in India and that he is a local officer, *Conway-Gordon* 4078–4081.

Opinion that it will not be necessary to consider the question as to the pensions of the engineers, as the probability is that when the proposed railways are completed it will be necessary to construct others, *Conway-Gordon* 4124–4126——Great importance of employing only competent and experienced men as engineers; calculation that the difference between an experienced and an inexperienced engineer is as much as 1,000 *l.* a mile on railways which cost 6,000 *l.* a mile in construction, *Rendel* 5652–5657. 5666–5671. 5721–5725. 5841. 5860–5863. 5961–5968——Considerable difficulty which would be experienced in obtaining competent engineers in the event of any increase in the proposed amount of railway construction, *ib,* 5668–5674.

Facility

Report, 1884—*continued.*

ENGINEERS (*RAILWAYS, &c.*)—continued.

Facility to reduction of cost through the experience gained by the engineers, *Rep.* viii——Concurrence of evidence adverse to any sudden increase of the engineer establishment, *ib.* ix.

Engines and Rolling Stock. Explanation that the carriages are a good deal wider in proportion to the metre gauge than the broad, *Trevor* 1775——Effect of the overhang of the metre gauge carriages in increasing the tendency to accident as well as to wear and tear, *ib.*

Engines repaired but not made in India; rolling stock constructed in India, the iron work being sent out from England, *Conway-Gordon* 4447-4452——When lines are converted from narrow to broad gauge the engines and rolling stock are transferred to other metre gauge lines; impossibility of converting the rolling stock, *ib.* 4613-4615.

Greater facility of reducing the weight of the engines on the narrow than on the broad gauge lines, *Rendel* 5687.

Explanation that one of the main points in working a railway is that the locomotives should be kept out of the workshops as long as possible; belief that the same amount of haulage cannot be got out of a narrow as out of a broad gauge locomotive before it requires repairing, *Conway-Gordon* 6835-6838.

Details relative to carriage and waggon expenses in relation to the mileage run, *App.* 840-845.

See also *Gauge.*

Etawa. See *Bilaspur-Etawa Railway.*

EXCHANGE, LOSS BY:

Reference to the subject of loss by exchange as a difficult problem; question whether, if the taxpayers of India lose from three to four millians annually in remitting money to pay interest in this country they do not, on the other hand, gain by the enormous increase of exports, *Coke* 1340.

Evidence in regard to the anticipated loss by exchange as a result of increased loans in England, on account of the Government of India having to remit to Europe the interest upon the loans; argument that the natives of India are not affected in any way by loss of exchange as they consume only the articles which are produced in the country, *Coke* 1441-1447. 1472-1489.

Information generally in regard to the inevitable loss by exchange involved by borrowing in England, so long as the Indian accounts are kept on the present system; explanation that the loss caused by a rise in the exchange would without doubt fall on India and not on England, *Bullen-Smith* 2344-2348. 2401-2411. 2416-2437. 2447-2459.

Grounds for the view that the financial operations of the Government in respect to loans would have but a very small effect on the exchange; steadiness in the rate of exchange during the last five years, *Lord* 2489-2494. 2499, 2500——Grounds for believing that too much has been made of the loss by exchange difficulty, *Graham* 2747, 2748.

Opinion that the existing contracts with guaranteed companies by which they are enabled to debit rupees at a fixed rate of exchange has been a disadvantage to the Indian Government; expediency of the Government securing itself in the future by making the guarantee dependent on the exchange, *Dickens* 3078-3085.

Explanation that the loss of exchange in the railway accounts varies from year to year according to the fall in the value of the rupee, *Conway-Gordon* 3645-3647——Fatal blunder in the old contracts with guaranteed companies of laying down a fixed rate of exchange for all transactions between Government and this country; assertion that the Indian Government lose from 1 *d.* to 2 *d.* for every rupee the old companies spent in India, *ib.* 4295——Argument that the loss by exchange and the cost of land are part of the capital charges borne directly by the Government, which should carry four per cent. interest against the working accounts, *ib.* 4396.

Explanation as to the method by which the question of exchange is dealt with in the finance papers; arbitrary and artificial sense in which the statement that ten rupees, as equal to 1 *l.* sterling, must be considered in these accounts, *Westland* 4776——Considerations as to the proper mode of charging loss by exchange in the railway accounts; explanation that this question is a mere matter of account, and that there is loss by exchange upon borrowed money as well as upon remitted money, *ib.* 5031-5033. 5067-5080.

The net annual revenue of India, when there is neither a surplus nor a deficit, amounts to seventeen millions sterling; the loss by exchange in remitting fourteen millions of this revenue to England amounts to three millions sterling, *Westland* 5067-5069.

Report, 1884—*continued.*

EXCHANGE, LOSS BY—continued.

Explanation as to the effect of loss by exchange upon the capital transactions of railways, *Westland* 5106-5108——Additional entry suggested in the accounts so as to charge the exchange upon the amount of sterling borrowed, *ib.* 5222-5227.

Opinion that a fall in the present rate of exchange would not have any very beneficial effect on India, *Robertson* 6668-6671——Argument that the importance of railways is so great that any loss by exchange which may arise in connection with their construction will be more than counterbalanced by the increase in prosperity produced by their extension, 7180-7184.

Paper submitted by Mr. Westland dealing with the question of loss or gain by substituting sterling borrowing for rupee borrowing; correction of misapprehension on various points, *App.* 624-629.

Explanation by Mr. Westland as to the incidence of the charge for exchange, and the real burden involved, *App.* 635.

Statement showing a distribution of the charge for "exchange on transactions with London" in 1882-83, over the transactions in England during that year, *App.* 695.

Telegraphic communication from the Governor General, dated 22nd June 1884, submitting grounds for dissenting from certain conclusions embodied in Financial Despatch from the Secretary of State of 27th May 1884; *App.* 700, 701.

Despatch from the Secretary of State to the Government of India, dated 27th May 1884, containing explanations on the question of profit from the railways in connection with the loss on the exchange, &c., *App.* 702, 703.

Memorandum attached to Despatch of 27th May 1884, together with tabular statistics, in support of the conclusions arrived at by the Secretary of State in Council, *App.* 704-706.

Necessity of the possible loss by exchange being accepted as an element of risk either to the Government or the investor, *Rep.* ix——Absence of loss in remitting the dividends to England unless the value of the rupee should fall yet further, *ib.*

Belief that rupee loans, which are not really absorbed in India, do not differ materially from sterling loans in their effect upon exchange, *Rep* xii.

See also *Loans.*

EXPENDITURE (RAILWAYS):

1. *Evidence explanatory of the Views of General Strachey upon the Question of future Railway Expenditure.*
2. *Views of General Dichens as to the Rate of Expenditure desirable.*
3. *Proposals of the Government of India, as advocated by Major Conway-Gordon; Details submitted by him in explanation and support of the proposed Expenditure.*
4. *Conclusions of Mr. Westland and Mr. Danvers as to the Expediency of Increased Outlay on Railways, and as to the Annual Cost to be incurred.*
5. *Evidence explanatory of the Views of other Witnesses as to the Rate of Expenditure desirable.*
6. *Official Papers and Correspondence on the part of the Government of India and of the Secretary of State for India in Council.*
7. *Returns and Statistics showing the Expenditure down to the present Year.*
8. *Conclusions and Recommendations of the Committee.*

1. *Evidence explanatory of the Views of General Strachey upon the Question of future Railway Expenditure:*

Entire dissent from the recommendation by the Select Committee of 1879 that the annual sum to be spent by the Government on railway from borrowed money shall not exceed two and a-half millions, *Strachey* 12. 14, 15. 224——Perfectly safe financial position in continuing to borrow money for railway construction so long as there is an absolute net income, after paying all charges, *ib.* 13. 16-18.

Misfortune through the vote of the House of Commons to the effect that expenditure should be reduced, this having probably led to the appointment of the present Committee; expected arrangement otherwise between the Secretary of State and the Indian Government, *Strachey* 29, 30. 225, 226.

Statement to the effect that in addition to the two and a-half millions a year at present authorised to be borrowed for public works, there might be allowed another million (that being the present annual surplus from railways), *Strachey* 120-132. 136-144. 179-181——Very large capital expenditure annually on railways over and above the two and a-half millions authorised to be borrowed by the Government; large outlay estimated for the coming year, *ib.* 132-135.

Conclusion that a capital outlay of 25,000,000 *l.* would provide about 5,000 miles of railway, which even in the famine districts would be more or less productive and would provide

Report, 1884—*continued.*

EXPENDITURE (*RAILWAYS*)—continued.

1. *Evidence explanatory of the Views of General Strachey, &c.*—continued.

provide something towards the interest, *Strachey* 170–178——Explanation that witness does not propose to limit the outlay strictly to 3,500,000 *l.* in each year, as in future years the revenues may admit of a larger annual surplus than 1,000,000 *l.*; *ib.* 180, 181.

Further objection to the surplus of one million from the railway being specially set aside as a means of meeting the guarantee or interest on additional capital expenditure; expediency of the action of Government respecting railways being regulated from year to year, *Strachey* 227–232.

Witness further submits that the surplus of a million from the railway should be regarded as available for the obligations and contingencies generally which may arise, and should not be allocated specially or exclusively to railway extensions, *Strachey* 321–335.

Further statement in deprecation of specific recommendations and restrictions, as laid down by the Committee of 1879, though witness does not object to general recommendations of a restraining character, where no hard and fast line is laid down, *Strachey*, 356–365. 367.

Further expression of the opinion that the surplus of one million, as in 1883, does not justify increased borrowing for railways, *Strachey* 1063. 1065——Statement in further approval of a total annual expenditure by Government of three-and-a-half millions of borrowed money in the extension of railway and irrigation works, but not as interest on a large capital expenditure to a much greater amount, *ib.* 1075 *et seq.*

Grounds for strongly objecting to the use of two-and-a-half millions as annual interest, for providing an immediate capital outlay of about 62,000,000 *l.* by private companies, *Strachey* 1079–1115——Impracticability of limiting the capital outlay to a specific sum, in respect of which the Government should be liable for interest or guarantee, *ib.* 1136.

Question further considered as to the expediency of the limit of 2,500,000 *l.* a year as laid down by the Select Committee of 1879, for expenditure on public works; respects in which open to objection, *Strachey* 1239–1248.

Circumstance of witness when in India having been considered extravagant in his ideas respecting public works, whereas he is now looked upon by many as an obstacle in the way of progress, *Strachey* 1249, 1250.

2. *Views of General Dickens as to the Rate of Expenditure desirable:*

Conclusions generally as to the expediency of extending the railway system in India; suggestions with reference to the mode to be adopted for deciding as to the annual scale of expenditure upon the works, *Dickens* 3046–3048. 3055–3064. 3110–3124. 3151–3177 3212–3215. 3225–3232.

Opinion that the present state of Indian finance quite justifies the expenditure by the Government of a much larger amount than that recommended by the Parliamentary Committee of 1878–79; *Dickens* 3046–3048 ——The amount which could judiciously be laid out annually upon railway extension might amount to something between three and five millions, *ib.* 3055.

3. *Proposals of the Government of India, as advocated by Major Conway-Gordon; Details submitted by him in explanation and support of the proposed Expenditure:*

Information generally with reference to the proposals of the Government of India in regard to railway extension; intention to spend about thirty-three millions sterling upon railways during the next five years, and to leave about twenty-four millions to be spent by private individuals or companies, *Conway-Gordon* 3496–3505. 3518–3525. 3527. 3573–3576. 3579–3584.

Favourable comparison of the proposed expenditure with the amount annually expended in previous years, *Conway-Gordon* 3506–3508. 3518——Contention on the part of the Government that the expenditure from ordinary and from borrowed funds must be considered together, *ib.* 3531 ——Decided opinion that the proposals made by the Government are financially sound, *ib.* 3536.

Strong opinion that, as the Government intends to carry out a policy for improving the communications in India, and of generally developing the country, every effort should be made to reduce the expenditure in other directions; belief that it is quite practicable to carry out this suggestion, *Conway-Gordon* 3549–3551.

Further approval of the extent to which the Government of India propose the construction of railways; belief that the proposed expenditure is safe, and could be carried out with the existing staff, *Conway-Gordon* 3632–3640.

Report, 1884—*continued.*

EXPENDITURE (*RAILWAYS*)—continued.

3. *Proposals of the Government of India, &c.*—continued.

Opinion that the Government, if it errs on the point, errs on that of over caution, *Conway-Gordon*, 3640.

Further consideration of the proposed expenditure upon railways both by the State directly and through the agency of private companies; in the event of private companies not being found to undertake the works, it will become necessary for the Government to consider as to constructing the lines themselves, *Conway-Gordon* 4029–4056. 4107-4111. 4128-4135. 4183–4185. 4306—— Conclusion that the expenditure in the next five years by the State will not be much in excess of the preceding period, if the whole outlay upon public works be taken into consideration, *ib.* 4052-4054.

Desire on the part of the Government to legitimatise the present expenditure, which in a sense was an evasion of the limit of 1879 (as laid down by the Select Committee), rather than to go beyond it, *Conway-Gordon* 4107-4111——Importance that the decision of the present Committee with regard to the amount of expenditure on railways should be so definite as to prevent any misapprehension in the future, *ib.* 4136-4138.

Expediency of a system of forecasts extending over five years in regard to railway expenditure; discontinuance at the present time of the forecasts instituted by Lord Northbrook, *Conway-Gordon* 4702-4708——Explanation that though the Indian Financial Budget is in itself a forecast, it extends only over two years, *ib.* 4703.

Impossibility of naming offhand the amount to be raised annually for railways without imposing additional taxation, *Conway-Gordon* 4709–4711—— Opinion that it the prosperity of Indian railways continues, and allows larger expenditure without increased taxation, discretion as to such expenditure should be left with the Government of India, *ib.* 4731, 4732.

Desirability that the present Committee should express an opinion that the limit of expenditure upon railways laid down by the Committee of 1879 is no longer required, 5611-5613.

Explanations in detail by Major Conway-Gordon in connection with Appendices showing the lines already specifically sanctioned by the Secretary of State, the lines either directly or indirectly approved by him, and the lines which have not as yet received either his sanction or approval, *App.* 853-920.

4. *Conclusions of Mr. Westland and Mr. Danvers as to the Expediency of Increased Outlay on Railways, and as to the Annual Cost to be incurred:*

Explanation as to the financial results of the present proposals of the Government in regard to railways; calculation that 30 per cent. of the whole amount proposed to be spent will be paid in sterling in England, and the balance will be the actual expenditure in rupees in India, *Westland* 4776-4784. 4866–4875. 4960, 4961.

Consideration of the question of risk, as run by the Government in guaranteeing interest on, or in themselves constructing, railways, in connection with the question of there being a reserve of expenditure; belief that in case of accident the Government would suspend some of the ordinary works, so as to continue the construction of the railways, *Westland* 5056–5060. 5098-5105. 5183-5185.

Further evidence in relation to the proposed expenditure upon railways in the future; liability of the Government as to additional expenditure in the next five years, *Westland* 5121–5128.

Opinion that the proposals of the Government of India in regard to the construction of railways are reasonable, and that they can be carried out without inconvenient financial pressure, *Danvers* 6873. 7076–7079.

Explanation that if within the five years' forecast, some accident occurred to interfere with the revenue, the expenditure on State works would have to be suspended; if, however, the engagements were with companies, the works would go on as usual under their contracts, *Danvers* 7072, 7073.

Consideration by Mr. Westland of the financial results of the proposals of the Government of India as regards railway extension; conclusion that a considerable margin exists after undertaking the whole of the proposed lines, *App.* 640–645.

Paper handed in by Mr. Westland showing the capital expenditure on railways since 1880–81, and the total outlay now proposed annually, *App.* 645.

5. *Evidence explanatory of the Views of other Witnesses as to the Rate of Expenditure desirable:*

Explanation that witness does not propose a larger expenditure than 6,000,000 *l.* a year, so as to include outlay on irrigation works, *Sir J. Caird* 604–610.

Contention that the Government in India should be the proper judges as to the proposed expenditure of fifty or sixty millions on railways; expediency of limiting the control

Report, 1884—*continued.*

EXPENDITURE (*RAILWAYS*)—continued.

5. *Evidence explanatory of the Views, &c.*—continued.

control of the Secretary of State over the Indian Government, especially in financial matters, *Coke* 1269–1273. 1400–1403. 1427–1430. 1544–1550. 1554–1556.

When witness was in India 2,500,000 *l.* a year was allocated to productive public works, about two-thirds going to railways, *Trevor* 1576——Great caution necessary if the expenditure upon railways is to be largely increased; inexpediency of a very large or a very sudden increase of expenditure, *ib.* 1580–1582. 1607–1611. 1793——Conclusion that the proposal of the Government of India to spend fifty millions sterling in four or five years is unreasonable, and that the full benefit of the expenditure will never be obtained, *ib.* 1826.

Decided opinion that the present financial position of India fully warrants a more rapid extension of the railway system than has taken place in the last few years; assertion that an expenditure of from fifty to sixty millions in the next five years is quite possible and entirely judicious, *Glover* 1889–1897. 1994, 1995.

Grounds for considering it expedient to extend the railway system in India on a large scale, and to expend from fifty to sixty millions in the next five years, *Clarke* 2266, 2267. 2270.

Decided opinion that there should be a reasonably large and rapid extension of all public works, and especially railways, in India; expediency of expending ten millions annually for this purpose, *Wood* 2276–2278.

Approval of an annual expenditure of six or eight millions; expediency of the Government making lines that, with the exception of famine lines, would prove remunerative, *Bullen-Smith* 2321–2324. 2387–2400. 2441–2446——Dissent from the views of the Chambers of Commerce of Madras and Bombay in regard to the proposal that works involving an expenditure of sixty millions should be undertaken at once, *ib.* 2398–2400. 2441–2446.

Approval of an annual expenditure of ten millions, *Lord* 2512, 2513.

Contention that the existing surplus revenue from railways should be treated as a reserve for increased expenditure and not appropriated to lessen taxation in any shape, *Bythell* 2610—— Expediency of increasing the expenditure upon railways by about four millions annually, *ib.* 2612.

Strong opinion that the surplus revenues of railways should be devoted to meet the interests on fresh loans; anticipation that there will be a steady average increase of traffic, *Graham* 2723. 2750–2767. 2776–2780——Grounds for considering that the financial position of India fully justifies a departure from the limit of two millions and a-half for railway construction; belief that eight millions may be annually spent in this way, *ib.* 2728–2732. 2736.

Belief that in India European opinion is very much in favour of a largely increased expenditure for the extension of railways; recommendation by the Bombay Chamber of Commerce in favour of an expenditure of twenty millions sterling annually, *Hardie* 2810–2819. 2840–2842——Disapproval of such an extension as is proposed by the Bombay Chamber; grounds for the opinion that it would be difficult to spend judiciously upon railways as much even as ten millions sterling annually, *ib.* 2817–2819. 2846–2851. 2884–2886.

Desirability of the Government spending much larger sums on railways; proposal that there should be spent in the next seven years what the present limit would give in twenty years, *Birkmyre* 3352. 3379, 3380. 3386. 3477.

Witness submits that the proposal to spend from fifty to sixty millions sterling upon Railways in India during the next five years is enormous, unnecessary, and uncalled for, *Crawford* 3861, 3862.

Proposal of the Indian Government to spend during the next five years on canals and railways thirty-eight millions sterling, as compared with thirty millions in the preceding period of five years; amount to be spent on irrigation and railways, respectively, *Waterfield* 6089——Exception taken to so large an expenditure as thirty-three millions in the next five years, *ib.* 6207–6217.

Perfect agreement of witness with the evidence of Mr. Westland and of Major Conway-Gordon as regards the financial character of the proposals of the Government of Indian respecting the construction of railways, *Hunter* 7137.

6. *Official Papers and Correspondence on the part of the Government of India and of the Secretary of State for India in Council:*

Despatches from the Secretary of State, and letters in reply from the Government of India, in the period from the 6th January 1881 to 29th January 1884, respecting railway extension, the progress to be made, the cost to be incurred, and the means of meeting the interest on outlay, *App.* 488 *et seq.*—— Restrictions laid down in the Despatch of January 1881 respecting expenditure on railway extension, *ib.* 488–492.

Report, 1884—*continued.*

EXPENDITURE (*RAILWAYS*)—continued.

6. *Official Papers and Correspondence, &c.*—continued.

Total of 15,300,000 *l.* as the estimated cost of 3,083 miles proposed by the Government of India in July 1881; *App.* 494.

Views of the Secretary of State, in December 1881, adverse to so large an expenditure as that proposed by the Indian Government, on account of the liability involved under the system of guarantee, *App.* 507-509.

Letter from the Government of India, dated, 23rd January 1883, submitting general conclusions, and proposing that thirty-two millions be spent in five years, irrespectively of lines costing twenty-four and a-half millions offered to private unguaranteed companies, *App.* 509-545.

Total estimated cost of each line proposed by the Government in January 1883; *App.* 524-526— Aggregate of 27,552,000 *l.* as the proposed expenditure on certain lines subsequently to 1882-83, irrespectively of the lines to be carried out by private enterprise; how this money should be raised, *ib.* 524-527.

Memorandum showing the amounts to be raised in different ways, the total proposed being 30,082,000 *l.*; *App.* 528.

Total of 24,344,000 *l.* estimated for lines to be left to private enterprise, *App.* 529-531.

Despatch from the Secretary of State to the Government of India, on 16th August 1883, with reference to the schemes proposed by the latter and the large outlay involved; this outlay not approved, it being decided to refer the question of railway extension to a Select Committee of the House of Commons in the Session of 1884; *App.* 546-549.

Letter from the Government of India, dated 24th September 1883, demurring to certain calculations of the Secretary of State, and urging the construction of certain lines without delay, *App.* 550-558.

Revised schedule of indispensable lines, together with the estimated cost in each case, *App.* 574-576.

Further memorandum, or revised statement, showing the amounts proposed to be raised in different ways, the total being 27,832,000 *l.*; *App.* 571. 577

Sanction or approval by the Secretary of State of expenditure to the amount of 15,602,450 *l.*, leaving 12,660,000 *l.* for further consideration; that is, in respect of the total expenditure proposed by the Government of India (28,262,450 *l.*); *App.* 853. 919, 920.

7. *Returns and Statistics showing the Expenditure down to the present Year:*

Statement of the capital expenditure on railways for each of the twenty-five years ending 1883-84; *App.* 556.

Statement of the net disbursements of the Home Treasury of the Government of India in respect of railways and irrigation in each year since 1867-68; *App.* 696, 697.

Amount of capital outlay in each year on railways and other works of a public character, *App.* 698, 699.

Statistics in detail submitted by Major Conway-Gordon respecting expenditure on public works of different classes, and the revenue therefrom, *App.* 714 *et seq.*

Summary showing the total expenditure in each year, *App.* 740, 741.

Statement showing the amount of capital raised to the end of each year, and the annual amount withdrawn for expenditure since 1858; *App.* 750.

Statement showing for each year from the commencement the capital outlay on each railway in India, *App.* 770-781.

Statistics respecting different protective lines, showing the length, total estimated cost, outlay to end of 1882-83, probable outlay in 1883-84, and the balance needed to complete, *App.* 790, 791.

Comparative statement (submitted by Major Conway-Gordon) showing the cost of construction of the several broad and narrow gauge lines, respectively, based on the capital outlay on 31st December, 1882; *App.* 796, 797.

8. *Conclusions and Recommendations of the Committee:*

Summary of the capital expenditure on the construction of railways in the five years before 1879, and in the five subsequent years; average annual increase of 475,000 *l.* in the latter period, *Rep.* iv, v.

Opinion that a careful forecast having been made of future requirements for public works over a considerable term of years, such a scale of expenditure should be adopted upon railways as can reasonably be maintained, *Rep.* xi.

Conclusion

Report, 1884—*continued.*

EXPENDITURE (*RAILWAYS*)—continued.

8. *Conclusions and Recommendations of the Committee*—continued.

Conclusion that the amount proposed to be spent by the Government of India during the next six years is moderate, and that looking to the experience of past years, and to present prospects, there is a fair ground for expecting that an extension of the railway system on the scale proposed will have most beneficial effects, *Rep.* xi.

Great difficulty in arriving at any definite conclusion respecting the sum which may, on an average of years, and with safety to the finances, be annually borrowed for the construction of public works, *Rep.* xii.

Opinion that whilst the present limit of annual borrowing, fixed by the Committee of 1878-79 at 2,500,000 *l.*, might safely be enlarged, the full responsibility of deciding upon the amounts to be borrowed from year to year should rest with the Secretary of State in Council, *Rep.* xii.

See also *Accounts.* *Capital.* *Cost of Lines.* *Financial Condition of India.* *Financial Results of Railways.* *Exchange, Loss by.* *Extension of Railways.* *Famines and Famine Lines.* *Gauge.* *Guaranteed Railways.* *Loans.* *Private Enterprise.* *Productive Lines.* *Protective Lines.* *Public Works Department.* *State Railways.* *Taxation.*

EXPORTS:

Expectation that the exports from India will assuredly increase and will admit of increased remittances from India in payment of interest on English capital invested in railways, *Strachey* 352.

Large proportionate increase in the value of exports from India since 1873 than in the case of any other country; particulars hereon, *Sir J. Caird* 413——Increasing apprehension of foreign countries in respect of the growing export trade of India; illustration in the case of Italy, *ib.* 413. 502.

Opinion that there would be an enormous increase in the export of Indian produce if railways were more extensively constructed in that country, *Coke* 1259——Information respecting other articles of produce besides wheat which would be exported from India in larger quantities by the development of the railway system; argument that there will be a very considerable increase of production in those districts which are not served by railways at all at the present time, *ib.* 1419-1421. 1496-1500. 1528-1531.

Examination respecting the lines which it is most expedient to construct with the object of tapping these districts which produce articles for exportation; contention that this is a question upon which the Government of India must furnish the best information, *Coke* 1451-1454. 1459-1465. 1550-1553.

Increased export of goods from India which would follow on an extended railway system, *Lord* 2503-2505 —— Strong opinion that facilities of export stimulate the industry of the people; belief that if these facilities did not exist there would probably be no supplies of food over the local requirements in the event of famine, *Hardie* 2905-2909——Opinion that in no sense is it a function of the Government so to impose rates that the export trade should be stimulated, *Birkmyre* 3468, 3469.

Abnormal character of the large export of grain and other articles from India within the last two years, which has led to the present mistaken demand for increased railway accommodation, *Crawford* 3660——Statement that Bombay and Calcutta are the only two ports in India from which the products of the greater part of the country find their way to foreign lands; argument that these two ports are at present amply served by great trunk lines, *ib.* 3662, 3663. 3919-3926.

Export taxes entirely remitted in India, with the exception of that on rice, *Westland* 5309-5314.

Information with regard to the large amount of exportable produce which might be brought to the coast if there were sufficient railway accommodation; confident opinion that the wheat supply of India may be looked upon as a certain source of export, *Conway-Gordon* 5460-5468. 5510-5520. 5560-5583.

Stimulus to the Indian export trade caused by the low rate of exchange throwing cheap money into the country; large extent to which the extension of railways has also assisted to develope the export trade, *Robertson* 6662-6671.

Conclusion that if railways are so extended as to induce an export of grain to England, there will be no fear that the people will be deprived thereby of their food; contention that the advantages connected with export would more than compensate for certain local disadvantages, *Hunter* 7168-7180. 7205-7213. 7348-7350.

Concurrence of evidence before the Committee as to the rapid development of the export trade in recent years; great increase since 1864, *Rep.* vi.

See also *Bombay Port.* *Calcutta.* *Cultivation of the Soil.* *Grain.* *Wheat.*

Report, 1884—*continued.*

EXTENSION OF RAILWAYS:

1. *Views of General Strachey as to the Rate of Construction to be carried out.*
2. *Conclusions and Suggestions of Sir James Caird.*
3. *Explanations and Suggestions on the part of Mr. Westland and Mr. Danvers.*
4. *Details submitted by Major Conway-Gordon in support of the Extensions proposed by the Government of India.*
5. *Evidence of other Witnesses as to Progress desirable to be made in the Construction of New Railways.*
6. *Exception taken by Mr. Crawford to any large Extension at the present Time.*
7. *Papers and Correspondence on the part of the Government of India and of the Secretary of State.*
8. *Conclusions and Recommendations of the Committee.*

1. *Views of General Strachey as to the Rate of Construction to be carried out:*

Considerable advance of construction since 1880, whilst the finances of India are in a better condition than they were four years ago, *Strachey* 4, 5——Action of the India Office since 1870 in the direction of restraining expenditure advocated by the Government of India for the more rapid extension of railways, *ib.* 6.

Circumstance of there having been as many as 2,000 miles under construction on 31st December last, *Strachey* 26——It is a delusion to say that the progress of railways in India has been slow, *ib.*

Desire of witness that railways in India should be extended as far as is financially profitable, it being important to provide not only protective lines but military lines, and to develope the resources generally of the country, *Strachey* 115-119.

Information respecting the progress being made with the construction of new lines; total of 2,967 miles under construction or sanction for 1884-85, of which it is estimated that 1,103 miles will be opened within the year, *Strachey* 145-150.

Effect of the extension of railways in inducing more wide-spread cultivation, and in increasing the obligation to take effectual steps for the relief of famine, *Strachey* 275-278——Prospect of satisfactory progress if the matter had been left to the Secretary of State and the Government of India, *ib.* 284, 285.

Explanation that witness fully approves of the rapid construction of some 5,000 miles of new railways, but always with due reference to the financial resources of the country, *Strachey* 317 *et seq.*

Strong advocacy of railway extension as a means of developing the resources of India and of increasing the prosperity of the country, it being expedient however to limit the amount of borrowed money to the general condition of the finances, *Strachey* 322-340——Importance further attached to exceedingly cautious action in undertaking costly public works in India, *ib.* 366, 367.

Occupation of the principal trade routes by the existing lines; varying conditions as to population, &c. by which the extension or connecting lines in different districts should be settled, *Strachey* 1188-1190.

2. *Conclusions and Suggestions of Sir James Caird:*

Fulfilment practically of the recommendation of the Famine Commissioners up to the present time as regards the annual rate of extension, it having been proposed to construct 10,000 miles at the rate of 400 miles a year, *Sir J. Caird* 377-379——Several circumstances which are now favourable to more rapid extension than was proposed when the Famine Commissioners reported; better financial condition of India, whilst the cost o construction has greatly fallen, *ib.* 380-384.

Opinion that it is not desirable to construct so rapidly as is proposed by the Government of India, and that it would suffice if in the next four years 5,000 miles were made; annual cost involved, *Sir J. Caird* 396——Suggestion that about 1,000 miles of broad gauge would complete the great through lines, *ib.* 402. 453-456.

Further objection to the construction of unproductive lines in India with borrowed money until the more populous districts are first served, *Sir J. Caird* 417-430. 439. 543-545.

Explanation with further reference to the reasons for suggesting that the extensions for the next four years shall be at the rate of 1,250 miles a year; this is threefold the average of the last ten years, *Sir J. Caird* 648-659——Prudential reasons other than financial considerations for not proposing a more rapid rate of construction than 1,250 miles yearly; probable disturbance of the labour market unless the construction be distributed over different districts, *ib.* 654-664.

3. *Explanations*

Report, 1884—*continued.*

EXTENSION OF RAILWAYS—continued.

3. *Explanations and Suggestions on the part of Mr. Westland and Mr. Danvers:*

Particulars with reference to the proposals of the Government of India as to construction of railway since 1881; feeling on the part of the Government that commercial lines must be put aside, and that only lines protective against famine should be taken up *Westland* 4746–4763.

Statement that the Financial Department concurs generally in the proposals of the Public Works Department in regard to railway construction; inexpediency of the Government binding itself to any hard-and-fast programme either as to the particular lines to be made or the order in which they are to be taken up, *Westland* 4773–4775. 4942–4950. 5010–5018—Opinion that the Government of India has not pledged itself absolutely to the proposed scheme in regard to railways, but has simply expressed conclusions in its favour, *ib.* 4774, 4775.

Conclusion of the Government that the best use they can make of the growing revenue is to prosecute a scheme of railway construction which has for its object the development of the country and its protection from famine, *Westland* 4776.

Extent of railways now in process of construction, *Danvers* 6869—Strong opinion that a more rapid extension of railways is desirable, if it be carried out judiciously; expectation that an expansion of the railway system will have for various reasons most beneficial results, *ib.* 6871. 6873. 6887. 7016–7027.

4. *Details submitted by Major Conway-Gordon in support of the Extensions proposed by the Government of India:*

Information generally with reference to the proposals of the Government of India in regard to railway extension, *Conway-Gordon* 3496–3505. 3518–3525. 3573–3576. 3579–3584—Statistics of railway construction showing that the proposed average rate of 779 miles of new railway, annually, cannot be considered as a sudden increase of operations, *ib.* 3526.

Opinion that the proposals of the Government of India with regard to the extension of railways, are moderate, the average annual construction contemplated being 779 miles, *Conway-Gordon* 4022–4028—Contention that the railway system should be extended so long as money can be spent with a fair prospect of return, *ib.* 4126–4128—If the distinction between productive and protective works be abolished the construction can be carried on at a more rapid rate than at present, *ib.* 4289–4291.

Strong opinion that the question of continuity of policy in regard to railway matters in India is the most important point which the present Committee has to deal with, *Conway-Gordon* 4644. 4648–4651.

Further information respecting the proposals of the Indian Government in regard to the extensions of railways; statement that the primary object held in view in drawing up Schedule A. was to protect the whole of India against famine, *Conway-Gordon* 5363–5368. 5395–5402. 5409–5418. 5440–5443. 5505–5509. 5610. 5871–5886.

Several lines which at the present time are actually under construction, *Conway-Gordon* 5372–5374—Contention that the most unopened parts of India are exactly these which require railways, *ib.* 5380–5383. 5407, 5408—The lines now sanctioned and under construction amount to 1,779 miles, *ib.* 5409–5411.

Explanations in detail by Major Conway-Gordon in connection with Appendix showing the lines already specifically sanctioned by the Secretary of State, the lines either directly or indirectly approved by him, and the lines which have not as yet received either his sanction or approval, *App.* 853–920.

5. *Evidence of other Witnesses as to Progress desirable to be made in the Construction of New Railways:*

Decided opinion that the extension of railways in India has not been carried on so rapidly as it ought to have been; the Indian Government have in fact been wanting in courage in this respect, *Chapman* 740. 875—Distinct check which railway extension has received of late owing to the Home Government not having given the encouragement which they promised to do, *ib.* 877, 878. 887–890.

Obstacle to any large extensions out of the sum allocated of late years to public works, *Trevor* 1576, 1577—Contention that the only means of feeding the people when a famine occurs is by a great extension of the railway system in the shape of protective lines; opinion that it is a question of years to carry out such a policy, it being possible only to do it by degrees, *ib.* 1794–1798.

Concurrence in the view that the extension might be at the rate of fifty or sixty millions sterling in the next five or six years, *Glover* 1889–1897. 1994, 1995; *Clarke* 2266, 2267. 2270—Conclusion that railway extension is an unmixed advantage throughout the whole of India, *Glover* 1949–1954.

Report, 1884—*continued.*

EXTENSION OF RAILWAYS—continued.

5. *Evidence of other Witnesses, &c.*—continued.

Decided opinion that there should be a reasonably large and rapid extension of all public works, and especially railways, in India; expediency of expending ten millions annually for this purpose, *Wood* 2276-2278.

Much more may well be done at the present time than has been done in regard to the extension of railways, *Bullen-Smith* 2802, 2803.

Decided approval of extending the railway system in India so long as it is not done so fast as to cause great fluctuations in the exchange, *Hardie* 2859–2871.

Advisability of preparing a forecast of operations in regard to railways, which should be revised from year to year; uniformity in the rate of outlay is very important towards cheap construction, *Dickens* 3048. 3063. 3178——Decided opinion that there is great scope for the extension of railways on the condition that economy is exercised in the construction, *ib.* 3061, 3062.

Conclusions generally as to the expediency of extending the railway system; importance of keeping railway finance more distinct from the finances of the Empire, *Birkmyre* 3350–3352. 3359–3374. 3379–3390——Opinion that the greater part of India requires opening up by railways, *ib.* 3477.

Grounds for depreciating a sudden and rapid extension of railroads in India; belief that a sudden expansion will lead to a very considerable waste of money, *Rendel* 5652–5657. 5670–5673. 5867. 5888——Opinion that there is no country in the world which requires railways more than India; expediency of constructing 50,000 or 60,000 miles gradually and carefully, *ib.* 5658, 5659. 5722. 5848-5850. 5991-5998. 6020–6023.

Information generally as to the different proposals put forward in regard to railway extension in India; great stress placed by the Home Government on the importance of economy of construction and the selection of lines which would not involve heavy works, *Waterfield* 6035-6040. 6309-6311. 6313-6318. 6324-6334.

Main points of difference between the Government of India and the Secretary of State in relation to the proposals of the Government in 1883 regarding the extension of railways; desire on the part of the Indian Government for a large expansion of operations, to which the Secretary of State does not assent, *Waterfield* 6085, 6086.

Expediency of obtaining foreign capital sparingly and equably; contention that sudden expansions are more wasteful than sudden reductions, *Waterfield* 6104. 6191–6195. 6245–6248. 6266——Grounds for the opinion that it is not necessary that the proposed railway extensions should be carried out in five or six years; expediency of the work being done steadily, but not so rapidly, *ib.* 6267-6272.

Consensus of opinion in India that the extension of railways should be pushed on more rapidly than of late years; strong native feeling in favour of extension, *Ashburner* 6351–6354. 6365–6367. 6453–6455——Disapproval of such an expansion of railway construction as was proposed by the Bombay merchants; belief that such rapidity of construction would not be economical, *ib.* 6365, 6366.

Explanation as to the means by which the Government propose to carry out their famine policy by an extension of the railway system; several new lines which it is proposed to construct to carry food from the granary districts, *Hunter* 7142-7152. 7231. 7250-7282.

Proposal by Mr. Hope (Public Works Minister), with which the Government of India do not as a whole agree, that quinquennial contracts should be entered into with the Public Works Department in regard to railway extension; grounds for this proposal, *Hunter* 7165. 7364-7377.

Disapproval, on the ground of economy, of any sudden expansion of expenditure upon railways; expediency of the Government being limited to a definite scheme of construction, *Hunter* 7174-7178——Dissent from the suggestion made by General Strachey, that each case of extension should be fought out on its own merits, *ib.* 7225, 7226.

Explanation that the absence of annual profits from railways to expend on further extensions does not interfere with the proposal that quinquennial contracts should be entered into, as the Government would find the money from other sources, *Hunter* 7370–7373——Belief that, if companies do not come forward, the Government regarding the proposed lines as of such importance would themselves raise the capital and construct the lines, *ib.* 7378-7381.

Map of India showing the railways proposed by the Honourable T. C. Hope, *App.* 522.

6. *Exception*

Report, 1884—*continued.*

EXTENSION OF RAILWAYS—continued.

6. *Exception taken by Mr Crawford to any large Extension at the present Time:*

Strong opinion that the demand for a considerable extension of railways in India is not justified and is very much exaggerated; grounds for this conclusion, *Crawford* 3660-3663. 3861, 3862. 3924. 3945, 3946——Want of an extension of existing trunk lines, rather than of new lines, *ib.* 3664. 3744. 4019-4021——Admission that although the intrusion of Bombay Railways into the Bengal Presidency would be opposed to the existing principle, still such intrusion would do no harm to the people of India, *ib.* 3921-3926.

7. *Papers and Correspondence on the part of the Government of India and of the Secretary of State:*

Despatches from the Secretary of State, and letters in reply from the Government of India, in the period from 6th January 1881 to 29th January 1884, respecting railway extension, the progress to be made, the cost to be incurred, and the means of meeting the interest on outlay, *App.* 488 *et seq.*

Total of 3,083 miles proposed in letter from Government of India of 22nd of July 1881, *App.* 494.

Details in letter from the Government of India in January 1883, as to the several extensions then proposed, *App.* 509-523.

Total of 3,837 miles as the amount proposed to be constructed otherwise than by private enterprise, in five years subsequently to 1882-83, *App.* 524-527——Aggregate of 3,497 miles proposed to be left entirely to private enterprise, *ib.* 529-531.

Despatch from the Secretary of State to the Government of India, dated 13th December 1883, in adherence generally to the views and conclusions in previous Despatch, *App.* 559, 560.

Letter from the Government of India, dated 29th January 1884, setting forth in further detail, and summarising the views of the Government in respect of railway policy and extension; statistics submitted in support of the conclusions arrived at, *App.* 560-577.

Statement showing that on 29th February 1884 there were 3,178¼ miles of railway under construction, much the larger portion being on the narrow gauge, *App.* 789.

Sanction or approval by the Secretary of State of extended construction at an estimated cost of 15,602,450 *l.*, *App.* 853. 919, 920.

8. *Conclusions and Recommendations of the Committee:*

Summary of the chief recommendations of the Famine Commissioners and of their conclusions as to the railway extension required, and its cost, *Rep.* v——Reference to the mileage open, and under construction, as tending to show that the recommendations of the Famine Commission are in course of fulfilment, *ib.*

Summary of the proposal of the Government of India as to the number, extent, and cost of the lines which they consider to be indispensable for production against famine, or for other urgent purposes, *Rep.* v, vi.

Reference to the extension scheme of the Government of India as largely dependent on certain lines, to which they attach the greatest importance, being taken up by companies; considerable doubt on this point, *Rep.* ix.

View of the Committee as to the conclusive character of the evidence in favour of a more rapid extension of railway communication, *Rep.* ix.

Approval of the rate of construction proposed by the Government of India during the next six years; fair ground for expecting that extension on the scale proposed will have most beneficial effects, *Rep.* xi.

Recommendation that railways needed for protection from famine or for the development of the country be made as required, whether they be technically considered protective or productive, *Rep.* xi.

Decided opinion of the Committee that the bulk of the lines to be made should be self-supporting, *Rep.* xi.

See also *Barakur Nagpur Railway. Bhopal to Jhansi, Gwalior, and Cawnpur. Bilaspur-Etawa Railway. Bombay Chamber of Commerce. Branch Lines or Feeders. Capital. Central Provinces. Chattisgarh District. Condition of the People. Cost of Lines. Cultivation of the Soil. Expenditure. Exports. Famines and Famine Lines. Gauge. Guaranteed Railway. Hope, Honourable T. C. Loans. Private Enterprise. Productive Lines. Protective Lines. State Railways. Taxation.*

Report 1884—*continued.*

F.

FAMINES AND FAMINE LINES:

1. *Concurrence of Evidence as to the Importance of Railway Extension with a view to the Relief of Famines.*
2. *Recommendations by the Famine Commissioners.*
3. *Views of Sir James Caird in favour of New Lines in Populous Districts.*
4. *Loss of Life from Famines.*
5. *Expenditure upon Relief.*
6. *Advantage of Railway Construction in Time of Famine.*
7. *Effect of increased Cultivation as a Result of Railway Extension.*
8. *Effect of a large Rise in the Price of Grain.*
9. *Proposals of the Government of India as regards the Construction of Famine Lines.*
10. *Arrangement respecting the Appropriation of a Million and a Half yearly by way of Famine Insurance.*
11. *Question of using Part of the Famine Fund as Interest on Capital for Protective Lines.*
12. *Summary by the Committee, and Conclusions arrived at.*

1. *Concurrence of Evidence as to the Importance of Railway Extension with a view to the Relief of Famines:*

Doubt whether the relief of famine will be any less costly by the construction of 5,000 additional miles of railway, though more people would be saved from starvation, *Strachey* 162–169. 177——Opinion that no other means than the extension of railways will so effectually prevent loss of life in famines, though it is doubtful whether the cost of relief will be lessened, *ib.* 368-371.

Necessity of a large extension, over a course of years, as a protection against famine, *Trevor* 1794–1798—— Preference for railways to irrigation works as regards the means of conveying food during famine times, *Lard* 2544, 2545.

Contention that in the selection of future lines of railway the first consideration of the Government should be the prevention of famine, *Hardie* 2941—— Impossibility of conveying produce to certain provinces at the present time, if famine were to occur; dominant consideration of the Government for this reason that they should be prepared with railways to meet such an emergency, *Westland* 4883–4887. 4915. 4964–4968.

Statement that even during a famine year there is always more than sufficient food for the population as a whole; conclusion that it is only necessary to have railways to carry food into those districts where it is deficient, *Conway-Gordon* 5429–5431.

Argument that the famine lines while mitigating famine and saving life will also help to increase produce as well as exports; opinion that the Government for this reason should raise money in this country at a low rate of interest for the purpose of making such lines, *Danvers* 7041, 7042. 7051–7057.

2. *Recommendations by the Famine Commissioners:*

Theoretical outline given in the Report of the Famine Commission in 1880 respecting the necessary extension of railways throughout India for the distribution of food in famine time; estimated requirement of something like 20,000 miles of railway if constructed fifty miles apart, *Strachey* 3. 26–28.

Strong recommendation in the Famine Commission Report that railways should be extended as the chief means of providing succour in times of famine, *Sir J. Caird* 376, 377—— Fulfilment practically of the recommendations of the Commissioners up to the present time as regards the annual rate of extension, it having been proposed to construct 10,000 miles at the rate of 400 miles a year, *ib.* 377–379.

Recommendation by the Famine Commission that in the construction of protective lines nothing should be attempted at the first which might divert the available funds from what is strictly essential, *Westland* 4772.

Minutes by Messrs. H. S. Cunningham, J. P. Peile, C. E. Elliott, and H. E. Sullivan, members of the Famine Commission, now in India, on the protective character of certain lines; great importance attached to their rapid construction, *App.* 578–581.

Extracts from Report of Indian Famine Commission in 1880 with reference to the railway extension required, and the increased facilities in working, with special reference to the relief of famine, *App.* 588–591.

3. *Views of Sir James Caird in favour of New Lines in Populous Districts:*

Evidence strongly in favour of the construction in the first instance of productive lines through populous districts before unproductive lines are undertaken; grounds for concluding

Report, 1884—*continued.*

FAMINES AND FAMINE LINES—continued.

3. *Views of Sir James Caird in favour of New Lines, &c.*—continued.

cluding that this is the most effectual plan for saving lives in time of famine, *Sir J. Caird* 384-388. 417-430. 503, 504.

Localities of different famines adverted to in connection with the question of population; greater advantage of protective lines in the more thickly populated districts, *Sir J. Caird* 386-403. 419-426——Dense population in several districts which have suffered from famine; instance in the case of Orissa, *ib.* 386. 403. 503, 504.

Grounds for the conclusion that on the whole famines have been more severe in densely than in sparsely populated districts, *Sir J. Caird* 569-575.

4. *Loss of Life from Famines:*

Estimate of the Famine Commissioners that the deaths from famine in Madras and Bombay, between 1874 and 1878, amounted to 5,250,000 in excess of the deaths which would have occurred had the seasons been ordinarily healthy, *Westland* 5160. 5269, 5270.

Conclusion that although famines amongst large populations make the most stir in the world, they create most acute suffering amongst sparse populations, *Hunter* 7245-7249.

Statement showing the area, population, and loss of population during the famine in different districts in Ananatapur, *App.* 587.

5. *Expenditure upon Relief:*

Statement that the expenditure upon the Madras famine during the three years it continued was 7,804,000 *l.*, as compared with that in Bengal of 6,710,000 *l.*, *Westland* 5157, 5158. 5274-5276——The actual expenditure upon famine relief between the years 1873-74 and 1882-83 amounted to 14,700,000 *l.* in conventional sterling; explanation that the total cost of famine has been more than this on account of the loss to the revenue, *ib.* 5157, 5158.

Average annual amount of 22,000 *l.* spent in the last three years upon actual relief of famine; total of 67,000 *l.*, *Waterfield* 6145-6147.

Statement submitted by Mr. Waterfield showing the annual charge for famine relief since 1873-74, *App.* 693.

Expenditure in famine relief in each year from 1873-74 to 1882-83; average of 1,470,984 *l.* for each of the ten years, *App.* 694.

Expenditure on famine relief and insurance (railways and irrigation) in each year since 1881-82, *App.* 714-717.

6. *Advantage of Railway Construction in Time of Famine:*

Statement as to the advantage of giving employment on new lines in times of famine, *Sir J. Caird* 402. 632, 633. 665-670 —— Belief that there would be a pecuniary saving to the Government of India by making railways in time of famine; impossibility, however, to calculate exactly what such saving would amount to, *Conway-Gordon* 4287.

7. *Effect of increased Cultivation as a Result of Railway Extension:*

Better position of India for resisting famines the more she is induced to grow rice, wheat, &c., by an increased foreign demand, *Sir J. Caird* 413.

8. *Effect of a large Rise in the Price of Grain:*

Conclusion arrived at by the Famine Commissioners that if prices of food rise threefold the famine standard would be reached; argument that although exportation of wheat might go on after prices had reached a point that would cause suffering, still such prices would very quickly bring export to a standstill, *Hunter* 7207-7210. 7391.

9. *Proposals of the Government of India as regards the Construction of Famine Lines:*

Opinion that the proposals of the Government of India in January 1883 go beyond the real requirements of the country as regards protection against famine; much less extensive programme contemplated by the Famine Commission, *Strachey* 26-28.

Information generally as to the railway policy of the Indian Government with reference to food distribution and famine relief; desire of the Government for continuous broad gauge communication from the centres of food production to the centres of population and to the famine tracts, *Hunter* 7138, 7139. 7219-7227. 7336. 7816.

Explanation as to the means by which the Government propose to carry out their famine policy by an extension of the railway system; several new lines which it is proposed to construct to carry food from granary districts, *Hunter* 7142-7152. 7231. 7250-7282.

Letter from the Government of India, dated 22nd July 1881; proposal therein for

Report, 1884—*continued.*

FAMINES AND FAMINE LINES—continued.

9. *Proposals of the Government of India, &c.*—continued.

the construction of 3,000 miles of lines designed to give protection against famine, in the next five years, with limited guarantee, interest being met from the Famine Insurance Fund, *App.* 492-495——Total of 3,083 miles proposed in letter of 22nd July 1881, *ib.* 494.

Letter from the Government of India, dated 23rd January 1883, stating conclusions as to general railway policy, submitting scheme for giving productive lines to private enterprise, and for using Famine Insurance Grant as interest for companies working with a limited guarantee, *App.* 509-545.

Repeated representations by the Government of India as to the urgent importance of pushing on lines for protection against famine, *App.* 512. 555. 567.

Summary of the advantages of the several proposed lines as regards protection against famine, *App.* 524-526.

Documentary evidence and extracts from official correspondence (submitted by Major Conway-Gordon) respecting various lines advocated by the provincial governments and the Government of India, the total expenditure being estimated at 28,262, 450 *l.*, *App.* 853 *et seq.*

Explanations in detail by Major Conway-Gordon in connection with Appendices showing the lines already specifically sanctioned by the Secretary of State, the lines either directly or indirectly approved by him, and the lines which have not as yet received either his sanction or approval, *App.* 853-920.

10. *Arrangement respecting the Appropriation of a Million and a Half yearly by way of Famine Insurance:*

Information generally with reference to the famine policy of the Government of India as far as the finances are concerned; proposal in 1878, for the first time, by Sir John Strachey, that there should be a surplus preserved annually of one-and-a-half millions for famine insurance, in addition to the 500,000 *l.* ordered by the Secretary of State, *Westland* 4744, 4745.

Calculation made that famine in every ten years would cost fifteen millions, which, by the surplus of one-and-half millions annually, would be provided for; determination of the Government of India to invest this surplus annually in productive public works, so as to avoid additional borrowing, *Westland* 4745——The estimate of one-and-a-half million annually as the average cost of famine was excessive, *ib.*

Belief that, as regards the present estimate, there will be no need for any further invasion of the Famine Fund for the purpose of guaranteeing railways, *Westland* 4998-5005.

Further examination with reference to the policy adopted in 1878 of providing an annual famine fund of a million-and-a-half in addition to the half million provided by the Secretary of State many years before; belief that this provision retards the natives from making provision for themselves, *Westland* 5139-5172. 5229-5236. 5269-5279——Policy laid down in 1881 that half of the famine fund should be devoted to protective works, and the remainder to the reduction of debt, *ib.* 5145-5153.

Statement in detail as to the origin of the Famine Insurance Fund; arrangements made by successive Secretaries of State that part of this fund should be devoted to the construction of protective works and part to the reduction of debt incurred for such construction, *Waterfield* 6046-6070. 6113-6116. 6120. 6134-6156. 6276-6278. 6296.

Explanation that the policy of the famine fund is not to endeavour to pay off the past, but to avoid the incurring of future debt; if the protective works answer the purpose of reducing the expenditure in the case of a future famine, this result will be gained, *Waterfield* 6150-6155.

Contention that the works which are to be constructed by appropriating the famine fund should be those which are strictly needed for the prevention or the relief of famine, *Waterfield* 6278.

11. *Question of using Part of the Famine Fund as Interest on Capital for Protective Lines:*

Grounds for desiring that part of the famine fund which is now used for the construction of railways, should be utilised as interest on capital borrowed to make other lines; contention that such a course would be financially sound, provided that the construction of such lines reduced the cost of future famines, *Conway-Gordon* 4141-4157. 4186. 4201. 4275. 4279-4287.

Further information relative to the proposals of the Indian Government to apply the famine fund for the purpose of guaranteeing the interest upon the railways; contention that this fund is simply intended to be an expedient for strengthening the financial position of India, *Conway-Gordon* 4582-4589——Decided opinion that devoting the famine

Report, 1884—*continued.*

FAMINES AND FAMINE LINES—continued.

11. *Question of using Part of the Famine Fund as Interest, &c.*—continued.

famine fund to guaranteed railways would not lead to any additional taxation, *Conway-Gordon* 4588, 4589.

Question as to using part of the famine surplus for the payment of interest upon money borrowed for public works first raised by Lord Lytton's Government in 1879, and negatived by the Secretary of State; grounds upon which the sanction of the Secretary of State was refused, *Westland* 4745.

Views of Lord Hartington in Despatch of 8th December 1881, adverse to the formal allocation of 500,000 *l.* a year from the famine insurance provision for the extension of protected lines, *App.* 509.

Recommendations by the Government of India in Despatch of 29th January 1884 for devoting part of the famine grant towards payment of interest on the capital expenditure proposed for certain railways, *App.* 562, 563.

12. *Summary by the Committee, and Conclusions arrived at:*

Establishment of the Famine Insurance Fund at the rate of 1,500,000 *l.* a year, upon the basis that famine relief would cost, in every ten years, 15,000,000 *l.*, *Rep.* v—— Strict adherence to the understanding that the revenue raised for famine insurance should be applied, exclusively, to the construction of works likely to avert famine, or to the reduction of debt contracted for famine expenditure, *ib.*

Summary of the chief recommendations of the Famine Commissioners, and of their conclusions as to the railway extension required, and its cost, *Rep.* v——Reference to the mileage open, and under construction, as tending to show that the recommendations of the Famine Commission are in course of fulfilment, *ib.*

Proposal by the Indian Government to appropriate an average annual sum of 200,000 *l.* from the Famine Grant towards defraying the charge for interest on the capital to be raised by limited guarantee companies, *Rep.* vi——Exception taken to the foregoing proposal as implying a complete reversion of the regulations hitherto in force, as the famine grant would in part be used as interest on borrowed capital, *ib.*

Reference to the evidence of numerous witnesses as to the great importance of rapid extension of railways as the most efficient means of saving life in time of famine, *Rep.* vi, vii.

Importance attached to the evidence of Sir Thomas Seccombe in 1879 upon the question of diverting any portion of the famine insurance provision, *Rep.* ix.

The Committee consider that the hypothecation of portion of the Famine Grant would be entirely contrary to the purposes for which the fund was created, and they cannot concur in the suggestions of the Government of India on the subject, *Rep.* xii.

See also *Bundelkund. Chattisgarh District. Expenditure. Extension of Railways. Gauge. Grain. Guarantees and Guaranteed Railways. Irrigation. Jhansi-Cawnpur Railway. Jhansi-Manikpur Railway. Loans. Orissa. Population (Famine Districts). Productive Lines. Protective Lines. Southern Mahratta Company. Wheat.*

Fares. See *Rates and Fares.*

Farukhabad-Hattras Railway. Documentary evidence submitted by Major Conway-Gordon respecting this line, as proposed by the Government of India, its advantages, estimated cost, &c.; sanction given by the Secretary of State, *App.* 914, 915. 919.

Ferries. Contemplated use of ferries (as in America), instead of costly bridges over large rivers, in districts where the traffic is not large, *Sir J. Caird* 500, 501.

See also *Gauges.*

FINANCIAL CONDITION OF INDIA (SURPLUS REVENUE):

Better condition of the finances of India at the present time than in 1880; *Strachey* 4, 5——Objection to the surplus of a million being specially allocated as interest on a sum to be borrowed (say 25,000,000 *l.*), witness submitting that such surplus is part of the general revenue of the State, and that it would be very unwise to appropriate a definite sum in advance for railways out of annual revenue, *ib.* 125–130. 136–144—— Much larger real than nominal surplus of Indian revenues, the real surplus being reduced by the famine insurance and the payment of arrears of military charges, *ib.* 228–230.

Circumstance of one-half of the average expenditure of India during the last ten years having been provided out of other sources than taxation, such as the land revenue and opium duty, *Sir J. Caird* 658——Impossibility of developing any large railway undertakings from the resources of the Government of late years, *Trevor* 1576, 1577.

There are laid out annually enormous sums out of revenue on capital account, *Conway-Gordon* 3618——The considerable increase to the revenue under land revenue, opium, salt,

Report, 1884—*continued.*

FINANCIAL CONDITION OF INDIA (SURPLUS REVENUE)—continued.

salt, Army, and all heads other than Telegraphs and Public Works, will fully justify the proposed increase of expenditure upon railways, *Conway-Gordon* 3526.

Examination with reference to the present financial position of the Government of India; explanation generally as to the method followed by witness when preparing the Reports put before the Committee upon this subject, *Westland* 4776-4784. 4818-4832. 4851-4866. 4876-4878. 4931-4940——Distinction drawn between Imperial and Provincial finance, which is entirely peculiar to India, *ib.* 4776.

Recovery of the country in 1882 from the disastrous effects of the famine of 1877-78; large amount of import duties remitted, and the salt-tax also largely reduced, in consequence of the improved state of the revenue, *Westland* 4776——Net result of the present financial position that upon the present balance of revenue and expenditure there is an estimated surplus of forty-eight lacs of rupees; inclusion in this estimate of the entire reservation of the famine insurance, *ib.*

The revenue of India has been sufficient during the past twelve years to provide every rupee which has been spent on famine, *Westland* 5171, 5172——Detailed statement in explanation of the extraordinary expenditure of 36,105,000 *l.* from 1871 to 1883 charged upon the revenues without borrowing, *ib.* 5181, 5182. 5347-5350.

Belief that if the Government be as fortunate during the next twelve years as they have been in the past twelve years, they will be able to meet the whole of the present proposals for railway construction, and have a handsome series of surpluses over, *Westland* 5183——Additional information as to the method of estimating the surplus over revenue applicable to public works; low estimate in this calculation taken in respect of the opium trade, *ib.* 5331-5337.

Conclusion that the present financial position of India does not justify any very large addition to the future burden on the revenues; opinion that the proposed expenditure upon railways of thirty-three millions during the next five or six years is not safe *Waterfield* 6207-6217——One reason for caution in regard to expenditure upon railways is that, notwithstanding the care taken in the past to avoid extravagance, the sterling debt has increased within the last fifteen years by twenty-two millions, *ib.* 6289-6295.

Prosperous state of India indicated by the growing importation of gold, which has largely increased since the year 1877; *Robertson* 6550——Contention that the financial arrangements of the Government for the construction of the proposed famine lines are thoroughly sound, *Hunter* 7153, 7154. 7156, 7157. 7416-7421.

Abstract Accounts of the Government of India for the year 1882-83, showing the revenue and expenditure in aggregate sums, *App.* 594.

Papers and Statistics submitted by Mr. Westland containing financial details on various points, and showing the revenue and expenditure under different heads, *App.* 622-646.

Revised Estimates for 1883-84, together with normal figures as to receipt and expenditure, under various heads besides railways, *App.* 638, 639.

Results of twelve years' accounts, from 1871-72 to 1882-83), showing the outlay on productive public works, the ordinary revenue and expenditure, &c., *App.* 646.

Statement submitted by Mr. Waterfield, showing the annual amount of abnormal charges from 1871-72 to 1882-83, *App.* 693.

Statement of the net disbursements of the Home Treasury of the Government of India in each year since 1867-68, and of the mode in which the disbursements were provided for, *App.* 696, 697.

Unquestionably better financial position of India at the present time than five years ago, *Rep.* viii.

Very large overplus revenue when the pressure of war and famine ceased, this surplus having however been disposed of by the forced reforms in 1882 and 1883; *Rep.* ix.

Effect of the completion of the railway to Quetta to sweep away the surplus revenue, otherwise available to Government, *Rep.* ix.

See also *Accounts. Exchange, Loss by. Expenditure. Extension of Railways. Famines and Famine Lines. Financial Resuls of Railways. Guarantees and Guaranteed Railways. Land Revenue. Loans. Productive Lines. Protective Lines. State Railways. Taxation.*

FINANCIAL RESULTS OF RAILWAYS:

1. *As to the Results hitherto.*
2. *As to the Future Results.*
3. *As to the Accounts.*

1. *As to the Results hitherto:*

Realisation of the previsions of Lord Lawrence and Lord Mayo, there having been a gradual diminution of the railway charge, whilst in the present year there is a surplus of about

Report, 1884—*continued.*

FINANCIAL RESULTS OF RAILWAYS—continued.

1. *As to the Results hitherto*—continued.

about a million, *Strachey* 12, 13——Evidence to the effect that the present surplus profit of a million a year in excess of the guaranteed interest is but nominal, inasmuch as it is lost to Government by the loss on exchange in connection with railway remittances, *ib.* 1053-1064. 1185——Fluctuation in the profits from year to year, the surplus in 1883 having arisen in an extremely favourable year, *ib.* 1065-1074.

Explanation that in calculating the net earnings and the surplus profits, arrears of interest in former years are not taken into account; amount of such arrears, these not constituting any present charge upon the finances, *Strachey* 1179-1184——Dissent from the view that after allowing for loss on exchange and other matters, there is a net return of 4 per cent., *ib.* 1223-1226.

Statements prepared by witness explanatory of the financial position of the Government of India regarding railway expenditure; exclusion from these statements of the loss by exchange, *Conway-Gordon* 3508-3517. 3571, 3572. 3609. 3619-3622. 3641-3654——Steady gain to the Government since 1881–82 on account of railways, *ib.* 3521.

Increase of the land revenue resulting from the construction of railways, *Conway-Gordon* 4268, 4269; *Ashburner* 6343, 6344. 6405-6414. 6426. 6437, 6438; *Danvers* 6887. 7021; *Hunter* 7217, 7218.

Decided opinion that if the railway business of India were exhibited in accurately kept commercial accounts it would be shown to be at the present time a financial success; belief also that the lines generally will in the future pay still better, *Conway-Gordon* 3553-3556——Statement that the calculations of the Indian Government for the extension of railways are made in the hope of a continuation of profits; since 1878-79 there has been a steady increase in the ordinary traffic receipts, *ib.* 4057-4069. 4102-4106.

Detailed statement in regard to the gross earnings on the trunk lines since 1866-67, showing a regular increase from year to year; entire absence of apprehension as to a disturbance of the Government scheme of extension in consequence of a decrease in the earnings, *Conway-Gordon* 4059-4069——Further statement that, including exchange, the railway do now very nearly pay their way, *ib.* 4174-4178.

The estimates of revenue are most carefully examined by the financial department before the Government of India commits itself to any extension of railway works, *Conway-Gordon* 4263-4267——Indirect profit which a railway line produces from other sources than the railway itself; belief, for example, that land revenue is increased, *ib.* 4268, 4269.

Further statement as to the direct financial results of the transactions connected with Indian railways; grounds for the conclusion that the lines generally are now nearly paying their way, even after allowing for the loss by exchange, *Conway-Gordon* 4395-4398.

Large improvement which has taken place in the finances of the railways since 1872, *Crawford* 4003-4006.

Examination as to the position of railways in regard to the general finances of India; statement that no part of the capital expenditure of productive lines is charged against revenue, *Westland* 4931-4940. 5034-5047. 5061-5066. 5106-5114. 5173-5182. 5237-5253. 5262-5268. 5315-5321——Admission that the policy of the Government has been to spend out of revenue as against capital on railways, *ib.* 5028-5030——Explanation as to the course adopted in the case of railways upon which the expenditure has been charged to revenue, and which afterwards become productive, *ib.* 5040-5047. 5280-5287.

Prosperous condition of the Indian railways generally; assertion that if taken together they are paying more than the interest of the money raised to carry them out, *Rendel* 5793-5795.

Information generally respecting the working of the railways; opinion that the results are very encouraging as showing improved returns and an expansion of traffic, *Danvers* 6866-6870. 6906-6915. 6931-6939. 6969-6981——Further examination in regard to the results of the railways; contention that it is fair to look to the profits on existing lines as a source from which interest may be paid on the capital for future lines, *ib.* 7003-7009. 7016-7027. 7058-7068.

Statements showing the direct annual gain or loss to the State from railway outlay since 1858; *App.* 506. 558. 750.

Observations of the Government of India, under date 4th January 1884, summarising various financial results in connection with railways, and showing the net revenue, *App.* 582, 583.

Report, 1884—*continued.*

FINANCIAL RESULTS OF RAILWAYS—continued.

1. *As to the Results hitherto*—continued.

Despatch from the Secretary of State to the Government of India, dated 27th May 1884, containing explanations on the question of profit from the railways in connection with the loss on the exchange, &c., *App.* 702, 703.

Memorandum attached to Despatch of 27th May 1884, together with tabular statistics, in support of the conclusions arrived at by the Secretary of State in Council, *App.* 704–709.

Telegraphic communication from the Governor General, dated 22nd June 1884, submitting grounds for dissenting from certain conclusions embodied in Financial Despatch from the Secretary of State of 27th May 1884, *App.* 700, 701.

Statistics in detail submitted by Major Conway-Gordon respecting expenditure on public works of different classes, and the revenue therefrom, *App.* 714 *et seq.*

Statement showing the cost and general results of working of each Indian railway in each year from the commencement down to the present time, *App.* 770–781.

Paper submitted by Major Conway-Gordon showing the financial results of the transactions connected with the working of the railways generally, distinguishing between the guaranteed railways and the State railways, *App.* 852.

Large aggregate represented by the annual charge imposed on the revenues by the railway policy hitherto; improved conditions in recent years, many of the lines paying excellent dividends on the heavy capital outlay, *Rep.* viii——Reference to the railway accounts for 1883 as showing that, irrespective of loss by exchange, the return on the whole railway investment of India was 5·68 per cent., *ib.* x.

2. *As to the Future Results:*

Liability to fluctuation in the annual surplus, so that a million a year cannot always be depended upon, *Strachey* 326–333.

Conclusion that if there be any risk in respect of new lines the Government must accept it, it being financially unwise to induce English capitalists to enter upon unsuccessful railway speculations for the benefit of India, *Sir J. Caird* 391. 393.

Considerable ignorance of the English people in regard to the circumstances of Indian railways, *Chapman* 744. 879–881——Explanation that the guarantee proposed to be given is only nominal; brief period of nursing and development only required in the case of Indian railways, *ib.* 787–791——Argument that if the Indian railways, notwithstanding such disadvantages as the loss of back interest and losses on exchange, can earn 4 per cent., it is a strong reason to go on increasing their number, *ib.* 940–942.

Anticipation that when the feeder lines are better developed the financial results of railways, taken as a whole, will be better than they have been in the past, *Trevor* 1789, 1790——Probability that some of the new lines undertaken by the Government will not pay, which fact must be faced in the interests of the country; assertion on the other hand that other lines may be built very freely as feeders, upon which good returns are certain, *ib.* 1793.

Statement that at the present time there is a growing revenue from railways, which growth may be calculated to go on, *Dickens* 3231.

Admission that the estimate put before the Committee by witness would be very seriously affected if a famine were to occur; belief that such an event would swallow up the annual increase of revenue for a year or two, *Westland* 4831, 4832.

Statement that in estimating the surplus available for railway construction the Government have excluded wars, and have assumed that famines are sufficiently provided for; belief that during the last ten years the number of years adversely affected by political accidents was not a large proportion, *Westland* 4931–4940.

Probability of the lines being remunerative in the future if they are constructed economically and managed skilfully, *Danvers* 6883. 6931–6933.

Statement containing estimates of cost and of net revenue in the case of each railway with which the State has current accounts, *App.* 534, 535.

Estimated net revenue of each of the guaranteed and State railways for the several years 1883–84 to 1887–88, *App.* 534, 535.

Estimate of productive public works receipt and expenditure for each year from 1883–84 to 1887–88, *App.* 544, 545.

Further estimate (revised) of the cost and net revenue in the case of the several lines under construction, and of the several projected lines, *App.* 584, 585.

3. *As to the Accounts:*

Recommendation by the Committee that the accounts of the financial results of the railways

Report, 1884—*continued.*

FINANCIAL RESULTS OF RAILWAYS—continued.

3. *As to the Accounts*—continued.

railways should be kept in such a manner, and so published, as to be easily availableto and understood by the investing public, *Rep.* xi.

See also *Accounts. Capital. Cost of Lines. Exchange, Loss by. Expenditure. Extension of Railways. Famines and Famine Lines. Financial Condition of India. Gauge. Guarantees and Guaranteed Railways. Land Revenue. Loans. Madras Railway. Productive Lines. Protective Lines. State Railways. Taxation. Traffic. Working Expenses.*

First Class Fares. Statement that the first-class fares on the Indian railways pay practically nothing in proportion to the rest of the traffic, the proportion being less than half per cent. on the whole of what is carried by the East Indian Railway, *Crawford* 3792.

See also *Rates and Fares.*

Food. Explanation that two-thirds of the people of India live upon grain, other than wheat, and only one-third upon rice, *Sir J. Caird* 528.

See also *Cultivation of the Soil. Famines and Famine Lines. Grain. Rice. Wheat.*

Forecasts of Expenditure. Approval of making forecasts of expenditure, but not of revenue, for longer periods than five years; expediency at the same time that the Government should hold itself free to adjust its expenditure to any altered circumstances, *Waterfield* 6193-6195. 6218-6220. 6319-6321.

Grounds for considering it desirable that forecasts of railway construction should be made every year embracing estimates for the five succeeding years, *Danvers* 6673. 7072.

See also *Expenditure* (*Railways*). *Extension of Railways.*

France. Reference to the cost of construction of railways, per mile, in France, the amount of public debt per head of population, and population served by each mile of railway, *Sir J. Caird* 414.

Frontier Railways. Total of 4,112,000 *l.* as the expenditure on frontier railways in the last twelve years, *Westland* 5181.

Statement showing the expenditure and estimated expenditure in respect of the Punjab Northern State Railway and the Kandahar State Railway since 1879-80, *App.* 72.

G.

Gaekwar of Baroda's Railway. Statement showing for each year the mileage, average age, cost, and general result of working, *App.* 780.

Ganges (*Ferry Boats*). Impossibility of transferring large waggons from one side of the Ganges to the other by means of ferry boats, on account of the frequent variations in the level of the water, *Conway-Gordon* 4574-4579.

GAUGE:

1. *Circumstances under which the Narrow or Metre Gauge was first introduced.*
2. *Mileage Constructed, or under Construction, on the Broad and Narrow Gauge, respectively.*
3. *Relative Cost of the two Gauges as regards Construction.*
4. *Relative Cost of Maintenance and Working.*
5. *Relative Capacity and Results as to Traffic.*
6. *Extent to which the Broad Gauge or the Narrow Gauge should be adopted in future Construction.*
7. *Break of Gauge; Inconvenience and Cost involved.*
8. *Suggested Decision by the Committee as to the Gauge to be adopted.*
9. *Recommendations by the Committee.*

1. *Circumstances under which the Narrow or Metre Gauge was first introduced:*

Belief that when the narrow gauge was sanctioned no one had any idea of the great development of traffic which would take place in India; the official views at that time were that the Indus Valley and the Rajputana lines would not pay, *Conway-Gordon* 4329, 4330.

Report, 1884—*continued.*

GAUGE—continued.

1. *Circumstances under which the Narrow or Metre Gauge, &c.*—continued.

Original promotion of the narrow gauge in India by an engineer in the service of the East Indian Railway Company, named Wilson; construction by him of a narrow gauge line from Nulhatti to Azimgunge at a cost of about 4,000 *l.* a mile, *Rendel* 5624—— Main object of the introduction of the narrow gauge to save cost in construction, rather than in working, *ib.*

Committee appointed in 1870 to decide as to the width of the narrow gauge to be adopted permanently; constitution of this committee, who decided in favour of the metre gauge, 3 feet 3⅜ inches, *Rendel* 5624.

2. *Mileage Constructed, or under Construction, on the Broad and Narrow Gauge, respectively:*

Statement showing the mileage open for traffic on 29th February 1884, distinguishing between broad gauge, metre gauge, and other gauges, *App.* 788.

Statement showing the railways under construction on 29th February 1884 on the broad gauge and narrow gauge, respectively, *App.* 789.

Total of 2,563¼ miles being constructed (on 29th February 1884) on the 3 feet 3⅜ inches gauge, as compared with 486¾ miles on the 5 feet 6 inches gauge, *App.* 789.

Total mileage on 31st December 1882 of broad gauge lines, and of metre gauge, &c., *App.* 796, 797.

3. *Relative Cost of the two Gauges as regards Construction:*

Indirect effect of the metre gauge in leading to much less cost in the construction of lines on the broad gauge, *Strachey* 151–154—— Estimate of from 8,000 *l.* to 9,000 *l.* per mile as the present cost of making a broad gauge line, the cost of a metre guage line being from 5,000 *l.* to 7,000 *l.*; much greater cost of the older lines, *ib.* 1230–1238——Belief as to the cost of narrow gauge lines being 50 per cent. less than that of the broad gauge, *Sir J. Caird* 451. 497–499—— Difference of cost in the proportion of 1,500 *l.* to 2,000 *l.* per mile; slight difference in respect of bridges, *Trevor* 1680–1683. 1782, 1783.

Information respecting the relative cost of broad and narrow gauge lines in various districts; statement that the cost of converting narrow into broad gauge would be almost as much as constructing a new line, especially as regards the bridges, *Glover* 1839–1844. 1933–1937. 1966, 1967. 1972–1978.

Reference to the cost of the Bengal Central and Bengal North Western lines, respectively, as illustrating the difference between the expenditure entailed by the broad and by the narrow gauge, the former being estimated at one-third more than the latter, *Dickens* 3100–3109. 3197–3211—— Comparison of the relative cost of the broad and narrow gauge, including rolling stock and stations; this is about as 1,500 *l.* to 2,000 *l.* in favour of the narrow gauge, *ib.* 3197, 3198. 3222–3224.

Difference in the cost of construction of the metre gauge and the standard gauge lines; the actual difference in favour of the former is from 1,500 *l.* to 2,000 *l.* a mile, inclusive of rolling stock in both cases, *Conway-Gordon* 4335.

Trifling difference of cost except in the case of low-priced lines, *Rendel* 5624—— Cost of about 6,000 *l.* a mile for broad gauge lines, and of 4,500 *l.* for narrow gauge, *ib.* 5624. 5675–5688. 5938–5948——Opinion that the disadvantages of a mixed gauge do not outweigh the comparative cheapness of the metre gauge, *ib.* 5889–5892.

Further information respecting the difference in the cost of construction between broad and narrow gauge; belief that this is not so much as stated by Mr. Rendel, *Conway-Gordon* 6718. 6788–6834—— Considerable effect which the weight of rails has upon the relative cost of broad and narrow gauge, *ib.* 6789–6796. 6810–6814.

Contention that if light broad gauge instead of narrow lines be constructed there need be very little difference in the mileage opened in the next few years; opinion that with the present price of iron the difference in cost would not amount to as much as 350 *l.* to 500 *l.* a mile by adopting light broad gauge lines, *Conway-Gordon* 6801–6805. 6834—— Statement that for light broad gauge lines there would be no increased cost for bridges; conclusion generally that the same bridges and the same rails will do for light broad gauge as for narrow gauge lines, *ib.* 6815–6824.

Comparative statement (submitted by Major Conway-Gordon) showing the cost of construction of the several broad and narrow gauge lines, respectively, based on the capital outlay on 31st December 1882, *App.* 796, 797.

4. *Relative Cost of Maintenance and Working:*

Consideration of the cost of working broad and narrow gauge lines, respectively; the running

Report, 1884—*continued.*

GAUGE—continued.

4. *Relative Cost of Maintenance and Working*—continued.

running charges with the exception of coals, are almost double on the metre gauge to what they are on the broad gauge, *Trevor* 1684-1687. 1784-1788—— Greater cost of maintenance on the narrow than on the broad gauge, in proportion to the traffic, *ib.* 1739-1746.

Explanation that the cost of haulage on the narrow gauge system is more expensive than on the broad gauge, *Glover* 1850. 1968-1971——Belief that the working of broad gauge traffic is less expensive than narrow gauge working, *Bythell* 2711.

Information as to the comparative cost of working the standard and the metre gauge lines; statistics showing that the working expenses of the narrow gauge line are heavier than on the broad, *Conway-Gordon* 4653-4659. 4717-4726——Admission that the cost of construction, but not the working, of narrow gauge is more economical than broad gauge lines, *ib.* 4715, 4716. 4720——Opinion expressed by the Government of Madras as to the absence of economy in the working of narrow gauge as compared with broad gauge lines, *ib.* 4720.

Further information generally on the subject of the comparative cost of the working upon broad and metre or narrow gauge railways in India; assertion that the cost of working locomotives on the metre gauge is considerably higher than on the broad gauge, *Conway-Gordon* 6720-6781. 6785-6787. 6839-6841.

Belief that it is generally admitted that metre gauge lines work their passenger traffic with less dead weight than the broad gauge; as regards good traffic the dead weight is practically the same on both gauges, *Conway-Gordon* 6773-6781——Great disproportion on the broad gauge lines which the dead weight bears to the freight on account of the antiquated character of the broad gauge rolling stock, *ib.* 6781.

Explanation that the large difference between broad and narrow gauge as regards maintenance is materially affected by the age of the line, *Conway-Gordon* 6782-6784——The lesser cost of the wagon and carriage traffic on the metre than on the broad gauge lines is to be entirely accounted for by the fact that on the narrow gauge lines the stock is all new, *ib.* 6785, 6786.

Memorandum as to the relative cost of rolling stock on broad and metre gauge railways, *App.* 605-607.

Abstract statistics of the cost of working, under different heads, distinguishing between broad gauge and narrow gauge lines, *App.* 798 *et seq.*

5. *Relative Capacity and Results as to Traffic:*

Capacity of the broad gauge, as compared with the narrow, in the proportion of one-and-half to one, *Strachey* 155-158——Belief that there has been no check to the expansion of traffic through the adoption of the narrow gauge, *ib.* 295-298——Better speed on the broad than on the metre gauge, *Trevor* 1688-1691.

Belief that there will in India be no traffic that cannot be carried upon a narrow gauge line, *Rendel* 5624——Statement that the metre gauge has developed railway traffic in India to a degree that at starting was never anticipated, *ib.* 5628——Grounds for the belief that the metre gauge is entirely sufficient to carry any traffic that is likely to be brought upon it, *ib.* 5899-5908.

Facility with which alterations could be made so as to enable heavy traffic to pass over a lightly constructed line, *Conway-Gordon* 6798-6800.

Results of the working of the goods traffic of the Rajputana-Maliva metre gauge line, compared with that of the Bombay and Baroda and other broad gauge lines; disadvantages of the former, *App.* 603-605.

Average traffic passing over each mile daily in 1882, distinguishing between passengers and goods, and between broad gauge lines and narrow gauge lines, *App.* 651, 652——Result that the average passenger traffic is fifty per cent. greater on broad gauge lines than on narrow, and the average goods traffic nearly four times as great on the former, *ib.* 652.

6. *Extent to which the Broad Gauge or the Narrow Gauge should be adopted in future Construction:*

Proposed use of the metre gauge for feeders to the main lines, *Sir J. Caird* 402. 408. 516—— Sufficiency of the narrow gauge for providing relief in time of famine, *ib.* 408——Approval of the broad gauge generally if the difference in cost is only ten per cent., *ib.* 516. 635.

Undoubted opinion that all through communication lines in India should be broad gauge; contention that it is fatal to attempt to propose a different gauge in great arterial communications, *Chapman* 761-764. 873, 874. 935, 936.

Report, 1884—*continued.*

GAUGE—continued.

6. *Extent to which the Broad Gauge or the Narrow Gauge, &c.*—continued.

Considerations generally as to the gauge most suitable for Indian railways; indifference of the Liverpool merchants as to the particular gauge so long as there is no break of gauge, *Coke* 1292. 1308–1311. 1343–1349. 1413–1417. 1510, 1511——Non-objection to the metre gauge upon feeder lines, or what may be termed local lines, *ib.* 1294——Grounds for the opinion that it would be well that all the metre gauge lines should be altered into broad gauge; belief that if this be done the traffic will be largely developed, *ib.* 1310, 1311.

Non-objection to railways on the metre gauge in the South Mahratta country, *Trevor* 1568—— Distinct advantage of the metre gauge in Burmah, and also in Northern Bengal, *ib.*

Strong opinion that in the north of India the railways should be entirely constructed on the broad gauge, *Glover* 1845. 1853-1858——Approval of the narrow gauge in districts where the probability of large traffic is not very great, and where the system is isolated; advantage of using the narrow gauge in the Kattywar district, *ib.* 1846, 1847. 1966, 1967. 2009-2012.

Disapproval of the metre gauge lines even as feeders to lines on the broad gauge, *Glover* 1849. 2154-2156—— Approval of the metre gauge for light railways through countries not thickly populated, and where there are not heavy long-leads for haulage, *ib.* 2039-2041——Opinion that the most desirable gauge for the whole of India would have been the English gauge of 4 feet 8½ inches, *ib.* 2040.

Strong opinion that the lines to be constructed should be on the metre and not on the broad gauge; contention that there is a great aggregate saving in metre gauge as opposed to broad gauge lines, *Wood* 2283–2285. 2288, 2289. 2295.

Desirability of making all the main lines in North India upon the broad gauge, *Bullen-Smith* 2326——Importance of confining the metre gauge to small systems, through hilly districts, and to feeders to the main lines, *ib.* 2326, 2327. 2373-2376.

Decided opinion that it would be a disastrous arrangement if the narrow gauge were to be adopted upon any of the main lines of communication; contention also that all the railways in the great plains of Northern India should be on the broad gauge, *Lard* 2478, 2479. 2534-2536——The metre gauge should be entirely confined to self-contained systems, *Bythell* 2711, 2712.

Inexpediency of extending metre gauge lines except as feeders in very isolated districts; belief that this gauge is exceedingly unpopular, not only with merchants, but with the natives themselves, *Birkmyre* 3341-3349.

Considerations as to the principle which should govern the question of gauge; strong opinion in favour of the standard gauge for all through lines, and for all short connections between existing broad gauge lines, *Conway-Gordon* 4326–4334. 4338–4344——The character of gauge should depend entirely upon the amount and description of the traffic which may come upon the line, *ib.* 4326——Opinion that metre gauge lines are most suitable for isolated portions of the country when the probable traffic is not sufficient to justify the greater cost of standard gauge lines, *ib.* 4341–4343.

Further information relative to the great advantages of the broad gauge for Indian Railways; absence of economy in the narrow gauge, the question of expense being more a function of the weight of traffic than of the gauge, *Conway-Gordon* 4421–4452. 4461–4464. 4564–4579. 4592, 4593——Metre gauge lines are more suitable for isolated parts of the country where a complete metre gauge system can be adopted, *ib.* 4428. 4461–4464——Grounds for preferring broad gauge to metre gauge for branch-feeder lines, *ib.* 4429——Contention that even for hilly country, broad gauge lines are more advantageous than the narrow gauge, *ib.* 4430–4439.

Opinion that the advantage of narrow gauge in respect of facility to get round curves is but a small one, as these difficulties are being gradually overcome by scientific construction, *Conway-Gordon* 4564–4568——Detailed statement of the differences generally between the Secretary of State and the Government of India on the subject of the two gauges, *ib.* 4597–4615. 4620–4624 —— Expediency of giving the Indian Government liberty to adapt the broad gauge only, except in some isolated districts, *ib.* 4625.

Importance of duly considering the question of gauge in connection with the expenditure, so as to avoid the necessity of fresh taxation, *Conway-Gordon* 4695–4701. 4731, 4732——Approval of converting the existing narrow gauge lines into broad gauge; contention that the expense would not be so great because the whole of the materials could be utilised on other narrow gauge lines, *ib.* 4713, 4714.

Information generally respecting the origin, advantage, and extension of the metre gauge system in India; grounds for the conclusion that all railways remaining to be made, with some exceptions, should be concluded on this gauge, *Rendel* 5624, 5625.

Report, 1884—*continued.*

GAUGE—continued.

6. *Extent to which the Broad Gauge or the Narrow Gauge, &c.*—continued.

5710-5717. 5788-5792. 5851-5854. 5873-5875. 5889-5893. 6011, 6012——Expediency that in all future extensions uniform gauge should be aimed at; that is, narrow gauge, *Rendel* 5898——Belief that large districts may be covered with narrow gauge lines, which districts would never be protected if broad gauge were insisted upon, *ib.*

Grounds for advocating the construction of light lines on the broad gauge; argument that broad gauge, even though at a slightly increased rate, is preferable for the purposes of the expanding trade of the country, *Conway-Gordon* 6718. 6812-6834. 6839-6841.

Opinion that the gauge of each future line should be determined according to its special circumstances; expediency of having the chief trunk lines upon the broad gauge, *Danvers* 6888. 6893, 6894.

Railways proposed by the Government of India in January 1883, distinguishing in each case between the broad gauge and metre gauge, *App.* 524-531.

Gauge proposed for the several lines to be left to private enterprise, *App.* 529-531.

Views of the Bengal and Bombay Chambers of Commerce on the question of gauge, and the respective merits of the broad and metre gauges; advantages of the broad gauge for main lines, *App.* 596. 599, 600.

Sundry details upon the subject of gauge, population, traffic, &c., in the case of various lines advocated by the Provincial Governments and the Government of India, at an estimated expenditure of 28,262,450 *l.*; *App.* 853 *et seq.*

7. *Break of Gauge; Inconvenience and Cost involved:*

Advantage if the narrow gauge lines were grouped together so as to avoid break of gauge, *Strachey* 300, 301——Estimate that the cost of break of gauge is not greater than the cost of ten miles of transport; exceedingly small addition thereby to the cost or price of grain, *ib.* 302, 303, 342——Inconvenience as well as expense entailed by break of gauge, it being, however, expedient to continue for some time to come both the metre gauge and the five feet six gauge, *ib.* 341-345.

Great hindrance to the traffic when there is a break of gauge on a main or through line, *Sir J. Caird* 407. 409——Doubt as to much advantage from the provision of storage for wheat at places where there is a break of gauge, 594-597.

Further consideration of the cost and delay involved by break of gauge, the actual cost of transfer being computed as about equivalent to ten extra miles, *Strachey* 1153-1178.

Views of witness on the question of the relative merits of the broad and narrow gauge; strong objection to a break of gauge even in the case of a very short feeder, *Trevor* 1563-1568. 1811-1818——Possibility of putting a third rail on the standard gauge lines in order to run metre gauge trains; decided objection thereto, *ib.* 1811-1813.

Disapproval of a break of gauge on any of the main trunk lines, especially in the north of India; contention that to adopt a third line would be a better mode of working the traffic than the present system of changing the load from one truck to another, *Glover* 1848. 1851, 1852. 1973. 1993.

Strong objection to breaks of gauge on Indian railways, *Lord* 2478; *Bythell*, 2711, 2712——Decided deprecation of a break of gauge; all tines lines except small separate systems should be on the broad gauge, *Graham* 2737-2740.

Disapproval of a break of gauge as between a feeder and a trunk line; the decision as to the gauge of the proposed line from Kisni to Calcutta is to remain with the Government, *Crawford* 3887-3897. 3967, 3968. 4007, 4008.

Uniformity of gauge adopted as a principle when railways were first started in India; circumstances under which break of gauge was first permitted, *Conway-Gordon* 4327-4330——Statement that the mercantile community in India is unanimously opposed to to a break of gauge; desire also on their part for the broad as opposed to the narrow gauge, *ib.* 4339, 4340——To the north and east of the Gogra and the Ganges there must be of necessity a break of gauge, *ib.* 4573.

Examination with reference to the subject of the inconvenience of break of gauge; grounds for the opinion that there is no evil beyond the mere cost of transfer, *Rendel* 5629-5636. 5708, 5709. 5796-5804. 5884-5886. 5895-5897. 6016. 6027, 6028——Contention that the amount of break of gauge in England is far greater in proportion than it is in India, *ib.* 5629-5933——Explanation that on the Rajpootana Railway the cost of break of gauge is about equivalent to the cost of constructing and working ten miles of railway, *ib.* 5634-5636.

Explanation of the indirect evils of a break of gauge; enormous wastage on account of the goods lying about in the open, *Ashburner* 6470-6472. 6538-6544.

Report, 1884—*continued.*

GAUGE—continued.

7. *Break of Gauge; Inconvenience and Cost involved*—continued.

Belief that the only trustworthy evidence regarding the disadvantage of a break of a gauge would be that of the trade which uses the line; strong feeling against a break of gauge felt by the trade in the case of the Cardigan and Carmarthen and the Great Western lines in England, *Conway-Gordon* 6719.

Evils of a break of gauge considered so grave that in making a military line to the frontier continuously broad gauge is rightly insisted upon; argument that to meet such an enemy as famine, which strikes every few years, continuous broad gauge is also necessary, *Hunter* 7411–7415.

Strong objections by the Bengal and Bombay Chambers of Commerce to break of gauge; great inconvenience and cost entailed, *App.* 596. 600.

Extract from communication addressed to the Bombay Chamber of Commerce as to the cost and inconvenience of transhipment at breaks of gauge, *App.* 607.

8. *Suggested Decision of the Committee as to the Gauge to be adopted:*

Evidence as to the great importance of laying down a principle in regard to the adoption of broad or narrow gauge in certain parts of India; contention that this question should be seriously faced by the present Committee, and should not be left either to the Government of India or to the Secretary of State, *Conway-Gordon* 4595–4615. 4620–4624. 4645–4659. 4694. 4712–4716.

9. *Recommendations by the Committee:*

Opinion of the Committee that all the leading trunk lines, with their principal feeders, should be on the broad gauge, *Rep.* x.

The metre gauge should be, as a rule, confined to tracts of country where that system is already in successful operation, and to local lines where the traffic is likely to be so light that cheapness of construction more than counterbalances the undoubted disadvantage of break of gauge, *Rep.* x.

See also *Jhansi-Manikpur Railway.* *Nagpur and Bengal Railway.* *Rajputana-Malwa Railway.*

Gaya-Toree Railway (*Bengal*). Length and cost of this project, as proposed by the Government of India to be left to private enterprise, *App.* 530.

Glover, Thomas Craigie. (Analysis of his Evidence.)—Large experience of witness in the construction of railways, he having been for twenty years a public works contractor in India; he has, in a period of twenty-three years, visited the country forty-two times, 1827–1831. 1834.

Enumeration of the various contracts which witness has carried out in India; construction by him at the present time of the Bhopal State Railway on the broad gauge, 1832–1838. 1860–1864. 1846. 2016–2028——Information respecting the relative cost of broad and narrow gauge lines in various districts; statement that the cost of converting narrow into broad gauge would be almost as much as constructing a new line, especially as regards the bridges, 1839–1844. 1933–1937. 1966, 1967. 1972–1978.

Strong opinion that in the north of India the railways should be entirely constructed on the broad gauge, 1845, 1853–1858——Approval of laying the narrow gauge in districts where the probability of traffic is not very great, and where the system is isolated; advantage of using the narrow gauge in the Kattywar district, 1846, 1847. 1966, 1967. 2009–2012.

Disapproval of a break of gauge on any of the main trunk lines, especially in the north of India; contention that to adopt a third line would be a better mode of working the traffic than the present system of changing the load from one truck to another, 1848. 1851, 1852. 1979–1993——Disapproval of metre gauge lines, even as feeders to lines on the broad gauge, 1849. 2154–2165——Explanation that the cost of haulage on the narrow-gauge system is more expensive than on the broad gauge, 1850. 1968–1971.

Opinion that to build a railway from Bhopal northwards to Gwalior and Cawnpur on the metre gauge would be suicidal, as there would be three breaks of gauge, 1852——Statement that the country which the Bhopal State Railway is to traverse is populous and well cultivated; opinion that it is in no sense a poor country, 1866–1871. 2043, 2044. 2047–2060. 2149–2166.

Description of the work on the Bhopal Railway; two important and expensive bridges to be constructed on this line, 1872–1874. 1878. 2078–2084——Belief that there is no part of India where a line could be more profitably worked than the country through which the Bhopal line passes; contention that it will pay interest within two years after construction, 1875–1877. 1879, 1880.

Great obstruction met with by witness in his dealings with the official engineers of the Government; instances in support of this statement, 1881–1888. 1923–1932. 2013–2015. 2029–2035. 2061–2070——Opinion that there is too much "red tape" in the public works system under the Government, 1882——Less practical knowledge possessed

by

Report, 1884—*continued.*

Glover, Thomas Craigie. (Analysis of his Evidence)—*continued.*

by the Government engineers than by those employed by private companies, 1882—— Belief that the system of obstruction by the executive officers is almost general on the State lines, 1885-1887.

Decided opinion that the present financial position of India fully warrants a more rapid extension of the railway system than has taken place in the last few years; assertion that an expenditure of from fifty to sixty millions in the next five years is quite possible and entirely judicious, 1889-1897. 1994, 1995.

Grounds for the opinion that directly a line is opened the revenue of the country is increased in proportion; contention that in India the railway makes the country, not as it is in England, where the country makes the railway, 1890. 1898. 1945. 1954. 2071-2073. 2167-2174. 2243.

Important influence of railways on cultivation in the districts through which they pass; absence of desire on the part of the natives to raise more grain than they require for themselves when they have no means to take it away to a market, 1890. 1905, 1906. 1944, 1945. 1949-1954. 1962-1965. 2071-2075. 2134. 2158. 2163-2166. 2247-2251.

Great importance of the extension of railways in the effect upon the labour market in India; belief that in many instances the wages would be doubled, 1895, 1896. 1910-1922. 1938-1943. 1955-1961. 1996-1999. 2002-2008——Opinion that if the Government continue to spend only four millions a year the price of labour will not be much increased, 1918, 1919——Statement that though all the superintendents are Englishmen and Scotchmen, the whole of the actual work, including the construction of the largest bridges, is done by natives, 1920-1922.

Necessity in the case of Government works for witness to add 10 per cent. to his rates because of the obstruction met with from the executive engineers, 1927-1932. 2111-2122——Belief that Indian labour might be very much more utilised than it is at present upon railway works, 1938-1940——Unusually low price of railway materials, especially iron, at the present time, 1947. 2191-2200. 2241, 2242.

Conclusion that railway extension is an unmixed advantage throughout the whole of India, 1949-1954——Decided opinion that railways do not displace any of the native industries in connection with carriage; contention, on the contrary, that native carriers are more constantly employed as the result of a railway coming through a district, 1953. 2000, 2001——Assertion that if the rolling stock of the narrow gauge lines were differently designed, they would carry much more dead weight than they do, 1969-1971.

Rough calculation that it would cost about 10,000 rupees a mile to lay down an additional rail so as to avoid the inconvenience of a break of gauge, 1974 1978——Statement that native labourers, though more sober than Europeans, are not so trustworthy in money matters, 2004-2006——Construction of the Bhopal line on the broad gauge to satisfy the Begum, who was jealous because Scindia had his line made broad gauge to Gwalior, 2024-2026.

Grounds for believing that certain work on the Great Indian Peninsula line failed, not through scamping by the contractors, but from the fault of the specifications; unsuitable materials used by the engineers in the construction of the bridges of this line, 2030. 2066-2070. 2138-2142. 2142. 2261-2263——Instance in which a serious disagreement arose in relation to a defective weighing machine, the cost of the repair of which was charged to witness by the Government; explanation that this friction was caused by the action of an inexperienced engineer, 2033-2035. 2107-2110. 2143, 2144.

Approval of the metre gauge for light railways through countries not thickly populated, and where there are not heavy long leads for haulage, 2039. 2041—— Opinion that the most desirable gauge for the whole of India would have been the English gauge of 4 feet 8½ inches, 2040.

Statement that the district between Jhansi and Cawnpur may be called one field of grain, extending a few miles only from the trunk road; plenty of land available for cultivation beyond this limit, 2048-2051. 2056, 2057. 2163-2166.

Extraordinary development of the Rajpootana country caused by the making of the making of the railway through it, 2074-2077——Very heavy increase in the cost of construction of railways in India which will take place if the work be delayed until the prices of materials are much higher than at present, 2081-2084.

Further examination in regard to the available local labour in India, and the tendency for its cost to increase; explanation that the cost of coolie labour being so small, the proposed extension of railway work would not affect it very much, 2086-2097. 2150-2153. 2201-2203. 2244-2246——Information as to the character of the coal in the neighbourhood of the Rewah Railway, 2098-2105, 2133, 2134.

Additional evidence respecting the inconveniences resulting from the constant friction

Report, 1884—*continued.*

Glover, Thomas Craigie. (Analysis of his Evidence)—*continued.*

between the contractors and the Government engineers; instance of a firm of contractors obliged to leave India and give their contract up from this cause, 2111-2122. 2207-2240.

Decided opinion that the Jhansi, Gwalior, and Cawnpur is a line which should induce capitalists to support it without a Government guarantee; intention of witness to invest largely in it whether he makes the line or not, 2128-2131——Expediency that every engineer engaged on works of construction in India should have previous experience either in that country or in England, 2145, 2146——Efficiency of native engineers who have been educated and trained in the Indian Engineering College, 2147-2149.

Statement that in those districts in India which can never be cultivated, witness would not advise the construction of a railway, 2158——Small amount of irrigation works which have been carried out in the country west of Agra, 2174-2177.

Information respecting the relative cost of rails per mile for the broad and narrow gauge; difficulty which would be experienced in placing a third rail on broad gauge lines, because of the special sleepers used, 2178-2190——Importance of a rule being laid down by the Director General of State Railways that no executive engineer or engineer-in-chief should be appointed to supervise a contract, unless he has had previous experience in India, 2233-2240.

Enormous increase in the cultivation in the district between Nagpur and Bhusawal, since the construction of the Great Indian Peninsula line, 2247-2249——Statement that the cost of maintenance on the broad and narrow gauge is identically the same; very small amount of difference between the general staff expenses on the two gauges, 2252-2260.

Godra-Rutlam Extension. Expediency of extending the existing line from the Bombay and Baroda Railway to Godra as far as Rutlam, *Lord* 2475, 2476.

Gold. Conclusion that our import trade from India is, to a large extent, balanced by the exports of gold and silver from England to India, *Coke* 1514-1521——Prosperous state of India indicated by the growing importation of gold, which has largely increased since the year 1877, *Robertson* 6550.

Goods Traffic. Statement that the lines which pay best are those which rely chiefly on goods traffic, *Dickens* 3318.

Average traffic passing over each mile daily in 1882, distinguishing between passengers and goods, and between broad gauge lines and narrow gauge lines, *App.* 651, 652.

Comparison between the East Indian, the Great Indian Peninsula, the Rajpootana, Malwa, and the Bombay, Baroda, and Central Indian Railways in 1883, and in other years when the traffic on the other lines approximated to that of the Rajpootana-Malwa in 1883, *App.* 653.

Abstract statistics of the carrying capacity of each line as regards goods traffic in each half-year from 31st December 1880 to 30th June 1883, *App.* 816-821.

See also *Traffic.*

Gooty District. Statement showing the area, population, and loss of population, during the famine in this district, *App.* 587.

Government Control. See *Administration and Management. Construction. Guarantees and Guaranteed Railways. Rates and Fares. State Railways.*

Government of India. See *the Headings generally throughout the Index.*

Graham, Donald. (Analysis of his Evidence.)—Witness has been for many years in business as a merchant in India; is also in extensive business in Liverpool and Manchester, 2713, 2714.

General concurrence with the evidence given by previous witnesses on behalf of the Manchester Chamber of Commerce, 2715-2717——Grounds for the opinion that the construction of Indian Railways should be entirely undertaken by the State; expediency, if possible, of constructing by contract, 2716-2721. 2770-2775.

Contention that the railway accounts should be kept entirely separate from the other financial arrangements of the State, 2721. 2723. 2749——Approval of there being a distinct department of the Indian Government to attend to the construction and management of railways, 2722.

Strong opinion that the surplus revenues of railways should be devoted to meet the interest on fresh loans; anticipation that there will be a steady average increase of traffic, 2723. 2750-2767. 2776-2780——Grounds for considering that the financial position of India fully justifies a departure from the limit of two millions and a half for railway construction; belief that eight millions may be annually spent in this way, 2728-2732. 2736.

Report, 1884—*continued.*

Graham, Donald. (Analysis of his Evidence)—*continued.*

Disapproval of the policy that the State should meet all the loss out of the lines that are considered productive; expediency of the Government owning the paying, as well as the non-paying lines, 2733, 2734——Strong deprecation of a break of gauge on the Indian railways; contention that all lines, except small separate systems, should be on the broad gauge, 2737-2740——Belief that the Rajputana-Malwa lines will eventually have to be taken up and relaid on the broad gauge, 2738.

Great importance of completing the construction of the Sukkur Bridge over the Indus, which has been stopped for want of funds; opinion that this is a work which would pay itself in a very short time, 2740. 2781-2787——Expediency of the Government having complete control over the rates and goods traffic on the guaranteed lines, 2741-2744.

Suggestion that a system of despatch companies should be established in India for the promotion of traffic similar to those in America, 2744, 2745——Belief that a very small fraction of the capital required for railway construction could be raised in India, 2746. 2748.

Grounds for believing that too much has been made of the loss by exchange difficulty, 2747, 2748 ——Considerable complaints made by native merchants in regard to the exactions by native chiefs in the shape of customs or octroi duties, 2788-2791.

GRAIN:

Inconvenience and disadvantage in there being only one line (the East Indian) for the conveyance of the immense traffic in grain, &c., to Calcutta, *Sir J. Caird* 399-401 ——Better position of India for resisting famines the more she is induced to grow rice, wheat, &c., by an increased foreign demand, *ib.* 413——Very small export of wheat and rice as compared with the surplus grain produce of the whole country, *ib.* 471-477. 494-496.

Explanation that two-thirds of the natives live upon grain other than wheat, *Sir J. Caird* 528——Consumption by cultivators of the cheaper grains, and not of wheat, *ib.* 561, 562.

Important influence of railways on cultivation in the districts through which they pass; absence of desire on the part of the natives to raise more grain than they require for themselves, when they have no means to send it to a market, *Glover* 1890. 1905. 1906. 1944-1954. 1962-1965. 2134. 2158. 2163-2166. 2247-2251. 2671-2675—— Statement that the district between Jhansi and Cawnpur may be called one field of grain, extending a few miles only from the truck road; plenty of land available for cultivation beyond this limit, *ib.* 2048-2051. 2056, 2057. 2163-2166.

Opinion that the greater part of the grain carried in the Great Indian Peninsula is wheat; statement that Bombay habitually imports rice, inasmuch as there is not enough for ten days' consumption in the whole of the Presidency, *Crawford* 3761-3767.

Grounds for the conclusion that grain should be carried in bulk, but not in bags, as a means of reducing the rate of freight on the railways; explanation that grain can be moved, in the case of break of gauge, more easily in bulk than in bags, *Ashburner* 6396-6399. 6423, 6424. 6430-6436 ——Importance of railways, especially during the monsoon, for carrying grain and cotton, which, if transported otherwise, leads to large losses; exactions by native chiefs, which would be avoided by means of railways, *ib.* 6448, 6449. 6460-6469——The Bombay Presidency produces much more grain than is required for its own consumption, *ib.* 6530.

Examination regarding the grain-producing districts of India, and their power of supplying sufficient food in the event of famine; statement that the Chattisgarh district is the nucleus of the food-producing country, *Hunter* 7140. 7142, 7143*, 7190-7202. 7252-7282. 7303-7305. 7312-7315. 7389-7415——Annual production in the Chattisgarh country of 241,000 tons of grain more than its population consumes, *ib.* 7140.

Assertion that, if railways are so extended as to induce an export of grain to England, there will be no fear that the people will be deprived thereby of their food; contention that the advantages connected with export more than compensate for certain local disadvantages, *Hunter* 7168-7180. 7205-7213. 7348-7350——Strong belief that railways increase the amount of grain ordinarily raised, *ib.* 7170. 7188.

Conclusion arrived at by the Famine Commissioners that if prices of food rise threefold, the famine standard would be reached; argument that, although exportation of wheat might go on after prices had reached a point that would cause suffering, still such prices would very quickly bring export to a standstill, *Hunter* 7207-7210. 7391 ——Admission that throughout the Bengal famine in 1866 considerable quantities of grain were being exported from Calcutta, *ib.* 7348-7350.

Suggestions in report of Famine Commission of 1880 as to the precedence to be given to the carriage of food grain in time of famine, *App.* 592.

Report, 1884—*continued.*

GRAIN—continued.

Statement showing present and past rates per maund for grain carried to Bombay by the Great Indian Peninsula Railway, and the percentage of increase and decrease on the rates in January 1884, as compared with January 1881; *App.* 593.

Tabular statement showing the exports of wheat from India to different countries in each year from 1871-72 to 1882-83, inclusive, *App.* 766.

Statement showing the annual exports, in quantity and value, of Indian wheat from each province, from 1866-67 to 1882-83; *App.* 782.

See *Chattisgarh.* *Cultivation of the Soil.* *Exports.* *Jhansi-Cawnpur Railway.* *Wheat.*

GREAT INDIAN PENINSULA RAILWAY:

Very large falling off in the receipts of the Great Indian Peninsula line in the first few months of 1884; doubt whether there has been any reduction in the cost of maintenance, *Strachey* 1065-1067.

Approval, upon general grounds, of extending the Great Indian Peninsula system to Cawnpur, but not on the terms already proposed by that company, *Coke* 1453-1455.

Grounds for believing that certain work on the Great Indian Peninsula line failed, not through scamping by the contractors, but from the fault of the specifications; unsuitable materials used by the engineers in the construction of the bridges of this line, *Glover* 2030. 2066-2070. 2138-2142. 2261-2263.

Numerous engineering mistakes which were made in India in past days; renewal of portions of the Great Indian Peninsula Railway upon several occasions at a cost of 70,000 *l.* a mile, on account of the bridges being washed away, *Bythell* 2608——Statement that, although Indian cotton is one-half the price it was in 1869, the railway company are charging more for carriage than they did in that year, *ib.* 2617-2620.

Considerable difference of opinion between the merchants of Bombay and the railway company in regard to rates; indignation meetings called in Bombay on this subject, *Bythell* 2639, 2640——Belief that the result of the high charges on the railway will be that the cotton cultivation will be driven from India to America, *ib.* 2641, 2642——Injury to cultivators on the line, inasmuch as a large proportion of the price obtained in Europe for their produce goes for railway rates, *ib.* 2681.

Explanation that the lower rates on other lines than on the Great Indian Peninsula are probably owing to the sea and river competition, with which they have to contend; impossibility of introducing a line to compete with the Great Indian Peninsula, *Bythell* 2669-2674.

Statement that the advancement of the rates by the Great Indian Peninsula Company is equivalent to a cessation of traffic to the extent of ten miles on each side of the line, *Birkmyre* 3408-3410.

Impossibility for the Great Indian Peninsula Company to compete on equal terms with the East Indian Railway in the event of a line being constructed from Calcutta to Bombay; detailed comparison of the rates charged by the two lines, *Crawford* 3664-3672. 3674. 3745-3753. 3782-3791. 3877-3882. 3950-3953.

Revenue accounts for each half-year from 31st December 1881 to 31st December 1883; *App.* 760, 761.

Statement showing for each year the mileage, average age, cost, and general results of working, *App.* 773, 774.

Statistics of the cost of working under different heads, *App.* 798 *et seq.*

See also *Bhopal to Jhansi, Gwalior, and Cawnpur,* 2. *Nagpur and Bengal Railway.*

GUARANTEES, AND GUARANTEED RAILWAYS;

1. *Terms of the Guarantees to Existing Lines.*
2. *Efficient Administration of the Guaranteed Railways.*
3. *Financial Statistics.*
4. *Generally as to the Question of further Guarantees, and the Limitations and Conditions under which they should be given.*
5. *Conclusions and Recommendations of the Committee.*

1. *Terms of the Guarantees to Existing Lines:*

Decided objection to the system of absolute guarantee on the capital outlay, not only as productive of a very great waste of money, but as creating for third parties a very valuable property at the expense of the taxpayers of India, *Strachey* 19. 22. 279-283.

GUARANTEES, AND GUARANTEED RAILWAYS—continued.

1. *Terms of the Guarantees to Existing Lines*—continued.

1096-1100——Enhanced financial difficulties if the system of guarantee had been continued; important effect as regards the exchange, *Strachey* 1213-1219.

Information generally as to the respective positions of the guaranteed railways and the State railways; grounds for the conclusion that the mode of guaranteeing is an expensive system of promoting construction, *Trevor* 1561, 1562. 1569-1572. 1596-1604. 1606. 1652-1654. 1657. 1665-1668. 1692-1695. 1696-1725. 1732-1738. 1747. 1810.

Identical terms made originally by the Government with the East Indian and Great Indian Peninsula Companies; subsequent contracts made with other companies followed the lines of the earlier ones, *Crawford* 4002.

Disadvantage in the rate of guarantee having been fixed as high as five per cent., *Conway-Gordon* 4295.

Statement that formerly the money obtained upon guarantee was raised upon less favourable terms than that borrowed directly by the Government; opinion that this was due to the magnitude of the transactions, *Westland* 5297, 5298.

2. *Efficient Administration of the Guaranteed Railways:*

Very efficient working of the guaranteed railways in times of famine, &c., though the companies have not been liberal in their terms or charges on such occasions, *Strachey* 249-252——Satisfaction expressed with the companies' management generally in India, there being moreover an efficient Government audit of all expenditure, *ib.* 314-316.

3. *Financial Statistics:*

Increase during the last eight years to the extent of 5,700,000 *l.* a-year in the payments of the India Office in respect of the guaranteed railways, *Strachey* 197, 198.

Statement containing estimates of cost and of net revenue in the case of each railway with which the State has current accounts, *App.* 534.

Capital expenditure on each of the guaranteed railways for each of the twenty-five years ending 1883-84, *App.* 556. 698.

Statement showing the direct annual gain or loss to the State from railway outlay in each year since 1858-59, *App.* 558.

Statistics showing in aggregate sums the total cost, gross receipts, working expenses, net revenue, &c., *App.* 622.

Statement of the net earnings and the repayment of surplus profits in each year since 1879-80, *App.* 634.

Telegraphic communication from the Governor General, dated 22nd June 1884, submitting grounds for dissenting from certain conclusions embodied in Financial Despatch from the Secretary of State of 27th May 1884; *App.* 700, 701.

Despatch from the Secretary of State to the Government of India, dated 27th May 1884, containing explanations on the question of profit from the guaranteed railways in connection with the loss on the exchange, &c., *App.* 702, 703.

Memorandum attached to Despatch of 27th May 1884, together with tabular statistics in support of the conclusions arrived at by the Secretary of State in Council, *App.* 704-709.

Tabular statements of annual expenditure and of revenue of the guaranteed lines *App.* 715 *et seq.*

Statement of interest and excess profits in respect of each of the guaranteed railways in each year since 1867-68, *App.* 718.

Statement of gross receipts from each railway since 1873-74, *App.* 732, 733.

Statement showing the direct annual gain or loss to the State from railway outlay since 1858, *App.* 750.

Revenue accounts of the several guaranteed railways for each half-year from 31st December 1881 to 31st December 1883, *App.* 760, 761.

Table showing the maximum fares and rates sanctioned for each of the guaranteed railways, *App.* 795.

Financial results of the transactions connected with the working of the guaranteed lines, *App.* 852.

Report, 1884—*continued.*

GUARANTEES, AND GUARANTEED RAILWAYS—continued.

4. *Generally as to the Question of further Guarantees, and the Limitations and Conditions under which they should be given;*

Reiteration of objections to the system of guarantees, as involving an undue charge upon the taxpayers of India, *Strachey* 19. 22. 279–283——Decided disapproval of a limited guarantee as well as of unlimited guarantees, *ib.* 233——Necessity of a further guarantee in the case of any company exhausting the amount of capital first guaranteed, *ib.* 286.

Further protest against any return to the old system of guarantee, as involving extravagance in construction as well as extravagant terms of purchase by Government, whilst the companies are under no risk whatever, *Strachey* 1096–1100.

Probability of construction by companies not requiring much Government control if the guarantee were limited to a fixed amount of capital, *Sir J. Caird* 686-691.

Conclusion as to the necessity, in the case of railway extension, of State guarantees; opinion that the guarantee should take the form of a subsidy, every shilling of which should be repaid to the Government when the corner was turned, and the line was profitable, *Chapman* 914–917. 922. 987–992. 1014–1016——As regards commercial lines, the Indian Government should not undertake any guarantees unless they are convinced that within a certain number of years the lines will pay at least 4 per cent., *ib.* 952–965——Statement that the change which has taken place in the Government policy regarding guarantees and railway extension has led to considerable loss of money by influential men in the City of London, *ib.* 979, 980.

Great advantage in the Government giving a permanent guarantee, so that they might thereby retain the necessary control over the companies, *Coke* 1301–1303. 1334–1337——Reason for a Government guarantee of four per cent. to railways which would be sure to pay, inasmuch as it would protect the public from the payment of very high rates, *ib.* 1379–1389.

Advocacy of a system of construction by private companies, with a permanent Government guarantee; importance in each case that the Government should select the scheme, *Bullen-Smith* 2306–2310. 2325. 2385, 2386.

Grounds for the opinion that private unaided enterprise is not likely in India to do anything in the way of extending the railway system; expediency for the Government to give a permanent guarantee to private companies who undertake the works, *Hardie* 2823–2826. 2831–2833. 2927–2932. 2939–2942——Explanation that a limited Government guarantee to the railways would involve higher rates, for the purpose of providing profits for the shareholders, *ib.* 2873–2882.

Suggestions generally as to the steps which ought to be taken for the purpose of obtaining capital for the schemes; opinion that to make sure of floating new companies there should be a Government guarantee of 4 per cent., *Dickens* 3065–3077. 3092. 3183–3186. 3225–3228. 3238–3249. 3258–3270.

Conclusion that the existing contracts with guaranteed companies, by which they are enabled to debit rupees at a fixed rate of exchange, has been a disadvantage to the Indian Government; expediency of the Government securing itself in the future by making the guarantee dependent on the exchange, *Dickens* 3078–3085.

Further evidence and suggestions respecting the construction of railways by means of companies under a guarantee; expediency of the Government giving a perpetual guarantee of 4 per cent., *Dickens* 3238–3251. 3258–3270. 3290–3304.

Approval of a guarantee of 3½ per cent. being given to the companies, and in addition the profits in excess of the guarantee; belief that with this arrangement the capital required would be obtained without any difficulty, *Birkmyre* 3400–3407. 3434–3442.

Information respecting the railways proposed to be constructed by private companies with a limited guarantee; suggestions as to the proposals to be made by the Government to the guaranteed companies, *Conway-Gordon* 4128–4132. 4309, 4310——Points on which the Government should be specially careful to guard itself in the case of future contracts with guaranteed companies; mistake in the past as regards the rate of guarantee, the terms of purchase, and the rate of exchange, *ib.* 4295. 4303–4305.

Few advantages in the system of limited guarantee; decided advantage in the case of contingent guarantee, by which the Government would secure half profits over a certain rate of earnings, *Conway-Gordon* 4309, 4310——Statement that experience proves that a high rate of guarantee does not tend to lower the rates and fares, but rather the contrary, *ib.* 4525–4532.

Further opinion as to the advantages of a continuous guarantee at a low rate, as opposed to a limited guarantee; belief that money will not be obtained unless the guarantee be continuous, *Conway-Gordon* 4547–4563——Argument that in regard to guaranteed lines the only practical plan upon which to proceed is that one district of country should pay for another, *ib.* 4559–4563.

Statement

Report, 1884—*continued.*

GUARANTEES, AND GUARANTEED RAILWAYS—continued.

4. *Generally as to the Question of further Guarantees, &c.*—continued.

Statement explanatory of the view of the Government of India; conclusion that at present it would be unwise to revert to the system of limited guarantee in regard to new lines which are not indispensable for protection against famine, *Westland* 4764——Expediency of leaving the Indian Government and the Secretary of State free to deal with each particular case of guarantee to a protective line, *ib.* 4765-4768. 4972.

Conclusion that the guarantee given by the Government in the case of the proposed new lines should be limited to that rate which will be sufficient to raise the money required, *Rendel* 5830–5838. 5872.

Explanation that the system of limited guarantee provides for advances of interest during construction for a period not exceeding five years, such advances to be repaid with simple interest from surplus profits above 5 or 6 per cent., *Waterfield* 6512.

Consideration of the methods most suitable for bringing forward new railways in India; expediency of the Government making the terms acceptable with the public by giving either a complete or partial guarantee, *Robertson* 6558. 6560–6563. 6591–6597. 6609–6646——Expediency of giving companies which are formed with a Government guarantee the entire contract over the management of their own lines, *ib.* 6639–6641.

Approval of the Government giving a limited guarantee on the best terms that can be obtained; expediency, nevertheless, of a permanent guarantee, if it be necessary, to enable railways to be carried out extensively, *Danvers* 6872. 6898–6905. 7010–7015——Desirability of allowing existing companies to construct some of the proposed new lines, especially those in connection with their own railways, *ib.* 6983–6986.

Opinion that a guaranteed interest of 3½ per cent. ought to be sufficient to induce capitalists to make the railways, provided that they were allowed to increase the interest by surplus profits, *Danvers* 7010–7015——Contention that the Government should not pay interest upon any excess of guaranteed capital which it might be necessary to raise by the companies; expediency of the guarantee being strictly limited and the risk thrown on the company, *ib.* 7099–7103.

Expediency of leaving the limit of guaranteed construction undefined by the present Committee, if other matters are also left undefined, *Hunter* 7338, 7339.

Several lines proposed to be made by means of capital to be raised by private companies under the limited guarantee system, *App.* 527. 570. 576.

5. *Conclusions and Recommendations of the Committee:*

Summary of the proposals of the Government of India as to the capital to be raised by companies working on their own account, with a guarantee of advances of interest for a limited term of years, repayable from surplus profits, *Rep.* vi.

Proposal by the Indian Government to appropriate an average annual sum of 200,000*l.* from the famine grant towards defraying the charge for interest on the capital to be raised by limited guarantee companies, *Rep.* vi——Exception taken to the foregoing proposal, as implying a complete inversion of the regulations hitherto in force, as the famine grant would in part be used as interest on borrowed capital, *ib.*

More favourable financial conditions at the present time than in former years, so that so high a guarantee as 5 per cent. need not now be given, *Rep.* viii.

Reference to the extension scheme of the Government of India as largely dependent on certain lines, to which they attach the greatest imporance, being taken up by companies; considerable doubt on this point, *Rep.* ix.

Summary by the Committee of the terms in the cases, respectively, of the Bengal Central Company and the Southern Mahratta Company, *Rep.* x.

Suggestion by the Committee that the guarantee in sterling should be absolute, *Rep.* xi.

See also *Administration and Management. Arrears of Interest. Bengal Central Railway. Bombay, Baroda, and Central Indian Railway. Calcutta and South Eastern Railway. Capital. Cost of Lines. Directors. Eastern Bengal Railway. East Indian Railway. Exchange, Loss by. Extension of Railways. Famines and Famine Lines. Financial Results of Railways. Gauge. Great Indian Peninsula Railway. Loans. Madras Railway. Private Enterprise. Productive Lines. Protective Lines. Purchase of Undertakings. Rates and Fares. Southern Mahratta Company. State Railways.*

Gwalior. See *Bhopal to Jhansi, Gwalior, and Cawnpur.*

108723

Report, 1884—continued.

H.

Halliday, Frederick James. See *Dalyell, R. A.*

Hardie, Robert. (Analysis of his Evidence.)—Witness, who is Secretary to the Bank of Bengal, is intimately acquainted with the financial part of the subject of Indian Railways, 2792-2795.

Information generally respecting the Government loans in India; these have been largely absorbed in England of late years, 2795-2809. 2837-2839. 2887-2893. 2910-2926. 2959-2972. 2982-2987. 2997-3012. 3015-3043——Apprehensions as to the suspension of the Bland Bill, which have operated to prevent people in England from taking up loans in silver; probable effect of the suspension of this Bill to cause a fall in the value of silver, 2798-2800. 2911-2914. 2921. 2997-2999.

Belief that there are causes at work at the present time which will make it difficult in the future for the Government of India to get loans in the country itself, 2799——Statement that the last loan fell almost entirely on the Indian money market; great rise in consequence in the rates of interest, 2800——Impossibility of laying down any fixed rule as to the amount of the Government loan to be offered annually to the Indian market, 2801-2805.

Decision of the Government not to give further loans to local bodies; the result of this decision will be that in future these bodies will compete with the Government in regard to loans, 2806-2808. 2887-2889——Greater difficulty in the future for the Government to obtain loans on account of the local bodies being forced into the market to compete; expediency, for this reason, that the Government should be left free to borrow anywhere in the open market, 2807-2809.

Belief that in India European opinion is very much in favour of largely increased expenditure for the extension of railways; recommendation by the Bombay Chamber of Commerce in favour of an expenditure of twenty millions sterling annually, 2810-2819. 2840-2842—— Exceedingly small interest taken by the natives in the question of the extension of railways; fear upon their part that such an extension would lead to an increased taxation, 2812-2815. 2834-2836. 2934-2938. 2943-2951. 2973-2975——Disapproval of such an extension as is proposed by the Bombay Chamber of Commerce; grounds for the opinion that it would be difficult to spend judiciously upon railways as much even as ten millions sterling annually, 2817-2819. 2846-2851. 2884-2886.

Assertion that India itself has benefited very much by the fall in the value of silver, and that the Anglo-Indians upon salaries, and with savings, in India, are the only individuals who have suffered, 2820-2822. 2852-2858. 2970-2973——Grounds for the opinion that private individual enterprise is not likely in India to do anything in the way of extending the railway system; expediency for the Government to give a permanent guarantee to private companies who undertake the works, 2823-2826. 2831-2833. 2927-2932. 2939-2942.

Strong opinion that the Government should exercise a very considerable amount of control in the management of the railways, 2826, 2827——Great importance that the rates of the companies should be as low as possible; approval of the Government interfering for the reduction of rates in cases where guarantees are given, 2828-2830. 2843-2846 —— Small amount invested by natives in Government loans, where only 4 per cent. can be obtained; interest received by natives in Calcutta for loans at from 10 to 15 per cent., 2837-2839. 2915. 2976-2981. 2988-2996.

Decided approval of extending the railway system in India so long as it is not done so fast as to cause great fluctuations in the exchange, 2859-2871——Explanation that a limited Government guarantee to the railways would involve higher rates for the purpose of providing profits for the shareholders, 2873-2882 —— Decided improvement of late years in the general condition of the natives of India; assertion that this improvement is due, to a great extent, to the railway system, 2899-2908.

Strong opinion that facilities of export stimulate the industry of the people; belief that if these facilities did not exist, there would probably be no supplies of food over the local requirements in the event of famine, 2905-2909——Grounds for the conclusion that if loans are to be raised in gold, they should be raised in England, and not in India; impossibility for the Government to borrow in India in silver at the present time except upon prohibitive terms, 2913-2926.

Suggestion that in India railways should be managed by a board appointed by the Government in the same way that port trusts are managed, 2929-2931——Statement that in Bombay some cotton mills have been erected, and are carried on extensively by natives, 2937.

Decided opinion that, at the present time, there is ample scope for the construction of remunerative lines, 2940—— Contention that in the selection of future lines of railway the first consideration of the Government should be the prevention of famine, 2941.

Statement

Report, 1884—*continued.*

Hardie, Robert. (Analysis of his Evidence)—*continued.*

Statement that the native traders very seldom have accounts at the native banks, 2957——Chief business of the natives with the English banks is borrowing money and selling bills; infrequent instances of natives lending money to the banks, 2957, 2958. 3013, 3014.

Great importance that the Government of India should borrow from the natives to the utmost extent to which they are willing to lend, 2961——Political advantage that the natives of India should have a direct pecuniary interest in the finances of the State, 2961. 3020-3022.

Large amount of Government 4 per cent. rupee paper held by natives; description of the class of natives who invest their savings in this way, 2978-2981——Very limited extent to which money at 4 per cent. can be borrowed in India on account of the advantageous terms on which advances can be made on mortgage, 2988-2996.

Strong opinion that, looking at the financial interests of India alone, it is advisable that all loans should be raised in England and not in India, 3005-3034——Advantage in borrowing in India to the extent to which loans can really be absorbed in that country; small amount thus available annually, 3010-3014. 3019-3027. 3043.

Expediency of the Government issuing their loans in sterling instead of silver; such a course would have the effect of reassuring the public, and would also be followed by a considerable rise in the price of rupee loans, 3039-3042.

Hathras Railway (North West Provinces). Satisfactory arrangement by which the Hathras line, only thirty-six miles long, in the North West Provinces, has been made by the locality, and the Government jointly, *Strachey* 183.

Favourable opinion as regards the arrangement whereby the capital for this line has been provided equally by Government and by shareholders, the latter receiving 4 per cent. interest, and the management resting with Government, *Strachey* 1142-1152——Doubt as to any serious difficulty having arisen in the foregoing case either as regards management or rates, *ib.* 1149-1152.

Hindupur District. Statement showing the area, population, and loss of population, during the famine in this district, *App.* 587.

Hoarding. See *Condition of the People.*

Holkar and Sindia-Neemuch Railway. Statement showing for each year the mileage, average age, cost, and general results of working, *App.* 778——Statistics of the cost of working under different heads, *ib.* 798 *et seq.*

Hope, Honourable T. C. Proposal by Mr. Hope (Public Works Minister), with which the Government of India do not as a whole agree, that quinquennial contracts should be entered into by the Public Works Department in regard to railway extension; grounds for this proposal, *Hunter* 7165. 7364-7377.

Map of India, showing the railways proposed by Mr. Hope, *App.* 522.

Minute by Mr. Hope, dated 20th January 1883, in which it is proposed to place the Imperial Public Works Administration, in respect to the whole of its transactions, upon a contract basis analogous to that of the quinquennial agreements with Provincial Governments, *App.* 536-540.

Hunter, The Hon. W. W., C.S.I., C.I.E. (Analysis of his Evidence.)—Has been for thirteen years Director General of Statistics to the Government of India; is now a Member of the Viceroy's Legislative Council, 7135, 7136.

Perfect agreement of witness with the evidence of Mr. Westland and of Major Conway-Gordon as regards the financial character of the proposals of the Government of India respecting the construction of railways, 7137.

Information generally as to the railway policy of the Indian Government with reference to food distribution and famine relief; desire of the Government for continuous broad gauge communication from the centres of food production to the centres of population and to the famine tracts, 7138, 7139. 7219-7227. 7316. 7336——Explanation as to the means by which the Government propose to carry out their famine policy by an extension of the railway system; several new lines which it is proposed to construct to carry food from the granary districts, 7138, 7139. 7142-7152. 7231. 7250-7282.

Examination regarding the grain-producing districts of India and their power of supplying sufficient food in the event of famine; statement that the Chattisgarh district is the nucleus of the food-producing country, 7140. 7142, 7143*. 7190-7202. 7252-7282. 7303-7305. 7312-7315. 7389-7415——Explanation that the fertility of the Chattisgarh country is partly due to its rich soil, but chiefly to the fact that it has the most uniform and trustworthy rainfall in India, 7140. 7166, 7167. 7309-7311.

Annual production in the Chattisgarh country of 241,000 tons of grain more than its population consumes, 7140. 7148, 7149*. 7393, 7394——Generally low price of the

Report, 1884—*continued.*

Hunter, The Hon. W. W., C.S.I., C.I.E. (Analysis of his Evidence)—*continued.*

wheat which is raised in the Chattisgarh district, 7140. 7142, 7143*. 7190–7202. 7210. 7303–7305. 7389–7393.

Description generally of the character of the Bundelkund country, as an example of the meaning of a famine tract; gradual decrease of the population in this country since 1853; 7141. 7400–7406——Great importance of a railway for the relief of Bundelkund in the event of famine; statistics showing the enormous amount of food which can be carried to this district by a railway as compared with that brought by carts, 7143. 7232–7234.

Large commercial advantages which would result from the construction of the line from Calcutta to Nagpur, passing through the Chattisgarh country; estimate that the land revenue would be largely increased by this line, 7144, 7145. 7147. 7149, 7150——Increased export of valuable timber from the Central Provinces anticipated by means of Nagpur-Bengal line, 7149,* 7150.

Great importance of the proposed Bilaspur-Etawa Railway in relieving famine in Bundelkund and the northern famine tracts, 7151——Advantage of the Bilaspur line in opening the Umeria or Rewah coalfield; particulars as to the quality and extent of this coal, 7151. 7235–7240——Excellent iron ore in the Katni and Jabbalpur districts, which has not been utilised on account of the want of fuel, 7151. 7239, 7240. 7285, 7286.

Desire on the part of the Indian Government that the present Committee will recommend the construction of the Jhansi and Manickpur line upon the broad gauge; if this line be made on the narrow gauge, it would, in the event of famine, lead to delay and loss of life, 7152. 7409–7415.

Contention that the financial arrangements of the Government for the construction of the proposed famine lines are thoroughly sound, 7153, 7154. 7156, 7157. 7416–7421——Information respecting the probability of private companies coming forward to undertake the construction of the proposed lines; assertion that even if companies are not found, the Government will not allow the question of railway extension to collapse, 7155. 7317–7323. 7378–7388.

Examination with regard to the principle to be adopted in reference to the borrowing arrangements of the Government; opinion that the present Committee should fix a limit of three-and-a-half millions as the annual amount to be borrowed for railway construction, 7158. 7171–7184. 7228–7230. 7335–7347. 7427–7434.

Contention that although railways do not necessarily increase the population of the districts through which they pass, they tend to do so; instances of the effect of the introduction of railways upon the population of certain districts, 7159, 7160. 7306–7308. 7422–7424——Statement that of the total population there are from twelve to fifteen millions of the people who have either themselves migrated, or are the children of immigrants, 7160.

Information respecting the large quantity of land in India, which, though cultivable, is not at present cultivated; great influence of railways in regard to increasing cultivation, 7161–7164. 7170. 7241–7244——Effect also of railways to equalise prices in regard to localities, and to render the variations less from year to year, 7164. 7170.

Expediency of private companies being allowed to charge interest to capital during the construction of the line; belief that in the case of the Patna-Baraitch Railway the Secretary of State has accepted this principle, 7165. 7351–7364——Proposal by Mr. Hope, Public Works Minister, with which the Government of India do not as a whole agree, that quinquennial contracts should be entered into by the Public Works Department in regard to railway extension; grounds for this proposal, 7165. 7364–7377.

Assertion that if railways are so extended as to induce an export of grain to England, there will be no fear that the people will be deprived thereby of their food; contention that the advantages connected with export more than compensate for certain local disadvantages, 7168–7170. 7205–7213. 7348–7350——Strong belief that railways increase the amount of grain ordinarily raised, 7170. 7188.

Disapproval, on the ground of economy, of any sudden expansion of expenditure upon railways; expediency of the Government being limited to a definite scheme of construction, 7174–7178——Argument that the importance of railways is so great, that any loss by exchange which may arise in connection with their construction, will be more than counterbalanced by the increase in prosperity produced by their extension, 7180–7184.

Almost complete isolation of Orissa during the late famine; protection given to this district by the construction of a tidal canal from the west bank of the Hoogley River, *viâ* the Midnapur district, 7189. 7231.

Result of certain experiments made by the Government that wheat can be raised by hired labour in India at about 12 *s.*, and sold with a good profit to the cultivator at 16 *s.* or 18 *s.* a quarter, 7197.

Striking feature in the history of railway enterprise in India, that the actual traffic on the

Report, 1884—continued.

Hunter, The Hon. W. W., C.S.I., C.I.E. (Analysis of his Evidence)—*continued.*

the great lines has invariably surpassed the official estimates; admission that in the Madras Presidency there are some railways which have not paid, 7203, 7204. 7325-7328.

Conclusion arrived at by the Famine Commissioners, that if prices of food rise three-fold, the famine standard would be reached; argument that although exportation of wheat might go on after prices had reached a point that would cause suffering, still such prices would very quickly bring exportations to a standstill, 7207-7210. 7391——Conclusion that the largely increasing exports of India form one indication of the increasing prosperity of the people; other reasons for considering that the prosperity of India has materially increased, 7214-7216.

Very small increased taxation in regard to the land revenue, as compared with the extra profits derived from the land, 7217, 7218——Disapproval of the suggestion made by General Strachey that each case of extension should be fought out on its own merits, 7225, 7626——Contention that the difference of opinion between the Government and the Secretary of State in regard to the Jhansi-Manickpur line, has had the effect of delaying progress, 7226.

Belief that the cultivation of wheat will be principally confined to the ryots, and not undertaken to a large extent by capitalists, as in the case of indigo, 7243, 7244——Conclusion that although famines amongst large populations make the most stir in the world, they create most acute suffering amongst sparse populations, 7245-7249.

Statement that if the surplus produce of British Burmah can be made available for the famine tracts of India, then the problem of famine relief would be nearly solved, 7258——Explanation that the surplus produce of the Chattisgarh district would feed about a million and a half of people annually, and that during a famine it is a very small part of the population which so requires feeding, 7259-7261.

Impossibility for the existing railway to carry away the surplus produce of the Chattisgarh district, for the reason that the cost of cartage is so great that it will hardly pay, 7266-7270——Statement that the prospects of the Hyderabad line appeared so good that the company launched it in London without any reference to the Chattisgarh food supply, 7276.

Grounds for the opinion that the wheat of Chattisgarh would find its way partly to Calcutta and partly to Bombay, 7278-7282——Fair probability that the portion of the line between Bilaspur and Sitarampur, as distinguished from the other portions, will pay when it is constructed, 7284.

Information respecting the districts which will be protected by the construction of the Jhansi-Marickpur line, if sanctioned; complete communication with the food-producing countries by this line, conditional on the whole of the Government proposals for the district being carried out, 7288-7302.

Possibility of suggesting lines with better prospects of paying, but which would not protect the districts which require protection; view of the Government in their proposals that protection is to be first considered, 7329-7334——Expediency of leaving the limit of guaranteed construction undefined by the present Committee if other matters are also left undefined, 7338, 7339——Admission that throughout the Bengal famine in 1866 considerable quantities of grain were being exported from Calcutta, 7348-7350.

Explanation that the absence of annual profits from railways to expend on further extensions does not interfere with the proposal that quinquennial contracts should be entered into, as the Government would find the money from other sources, 7370-7373——Desire on the part of Mr. Hope that the same amount of stability should be given to the department of public works as is now given to the local governments, 7376.

Belief that, if companies do not come forward, the Government, regarding the proposed lines as of such importance, would themselves raise the capital, and construct them, 7378-7381——Desire of the Government that the Bilaspur and Nagpur line should be made under a limited guarantee; proposal by Mr. Miller, on the other hand, to make it on the South Mahratta terms, 7388.

Statement that at the present time, in the absence of railways, the surplus of 240,000 tons of wheat struggles outward from the Chattisgarh district, by cart traffic, partly to the Nagpur Railway, and partly to Jabbalpur, 7393-7399——Explanation that millet and not wheat is the staple food of the poor population of Bundelkund, 7404.

Disagreement with Mr. Miller's evidence that a railway from Bhopal to Gwalior would pay, if only from the local products passing over it, 7408——Evils of break of gauge considered so grave that in making a military line to the frontier continuous broad gauge is rightly insisted upon; argument that to meet such an enemy as famine, which strikes every few years, continuous broad gauge is also necessary, 7411-7415——Impossibility of estimating at present the amount of traffic which may be expected on the line from Bilaspur to Calcutta, 7425, 7426.

Report, 1884—*continued.*

Hyderabad. Great importance of completing the link between Palanpore and Hyderabad, which would perfect the whole system of railways in that direction, *Ashburner* 6336. 6473-6477.

Statement that the prospects of the Hyderabad line appeared so good that the company launched it in London without any reference to the Chattisgarh food supply, *Hunter* 7276.

I.

Improvidence of Natives. Belief that the circumstances and habits of life of the natives of India are not such as would induce them to provide against famine whether the Government assisted them or not, *Westland* 5272-5274.

Indian Council. Expediency of there being on the Indian Council members possessing practical experience with the working of railways, *Birkmyre* 3370.

See also *the Headings generally throughout the Index.*

Indus Valley and Kandahar Railway. Large increase in the revenue of the Indus Valley State Railway, which has resulted from lowering the rates upon that line, *Conway-Gordon* 4323, 4324——Example of success in the case of the Indus Valley line, in regard to which there had been official denials of the possibility of remunerative traffic, *ib.* 5540.

Revenue accounts for each of the years 1881-82, 1882-83, and 1883-84, *App.* 751-753——Administrative transactions for the above years, *ib.* 754-759.

Revenue accounts for each half-year from 31st December 1881 to 31st December 1883, *App.* 762-765.

Statement showing for each year the mileage, average age, cost, and general results of working, *App.* 786.

Statistics of the cost of working under different heads, *App.* 798 *et seq.*

Interest on Capital during Construction. Expediency of private companies being allowed to charge interest to capital during the construction of the line; belief that in the case of the Patna-Baraitch Railway the Secretary of State has accepted this principle, *Hunter* 7165. 7351-7364.——*See* also *Bengal Central Railway.*

Interest on Loans. Argument that the interest at 4 per cent. which has to be earned on the whole of the productive public works expenditure forms in itself a sinking fund of a very material extent, *Conway-Gordon* 3531.

Decision of the Government of India in 1858, on the recommendation of the merchants and bankers of Calcutta, that interest on rupee paper would be made payable at the Bank of England by drafts on Calcutta, *Robertson* 6650.

Despatches from the Secretaary of State, and letters in reply from the Government of India, in the period from 6th January 1881 to 29th January 1884, respecting railway extension, the progress to be made, the cost to be incurred, and the means of meeting the interest on outlay, *App.* 488 *et seq.*

Return showing the payments of interest on Indian debt in each year from 1870-71 to 1883-84, *App.* 623.

Memorandum submitted by Mr. Wood in connection with Tables showing the advantages of taking up Indian loans in England instead of in India, *App.* 691, 692.

Statement of the net disbursements of the Home Treasury of the Government of India in respect of interest on debt in each year since 1867-68, *App.* 696, 697.

Detailed statement showing the interest on debt incurred for productive public works in each year since 1867-68, *App.* 720, 721.

See also *Loans.*

Interest (*Native Capital*). High rate of interest charged by the ryot when lending money to his neighbours; 37½ per cent. frequently the rate per cent. between ryots and local traders, who supply them with seed, and help them with their revenue payments, *Westland* 4837, 4838——*See* also *Loans.*

Iron. Great value of railways for the development of iron and coal, *Sir J. Caird* 567, 568——Excellent iron ore in the Katni and Jabbalpur district, which has not been utilised on account of the want of fuel, *Hunter* 7151. 7239. 7244. 7285, 7286.

Importance of making purchases of iron for railway construction at the present time because of its very low price; diminution also in the price of all other railway materials as well as iron, *Coke* 1410-1412. 1501-1503.

Statement showing the imports of iron into India from different foreign countries in each year since 1871-72, *App.* 769.

Statement

Report, 1884—*continued.*

Iron—continued.

Statement of quantities and value of iron imported from foreign ports into the several provinces of India in each year from 1866-67 to 1882-83, *App.* 784.

Probable effect of railway extension in leading to the profitable working of iron mines in India, *Rep.* vii.

Irrigation. As regards protection against famine, irrigation works are quite secondary to railways, *Sir J. Caird* 607——Small amount of irrigation works which have been carried out in the country west of Agra, *Glover* 2174-2177.

Advantage of waterworks in the fact that a large proportion of the outlay in their construction remains in the country itself, whereas in the case of railways a large amount goes out of the country, *Wood* 2292.

Preference for railways to irrigation works as regards the means of conveying food during famine times, *Lord* 2544, 2545——Considerable protection against famine by means of increased irrigation works, *Conway-Gordon* 3510.

Total of 3,500,000 *l.* proposed by the Government of India to be spent upon irrigation in the next five years from borrowed money, and of 1,2500,000 *l.* from the Famine Insurance Grant, *Waterfield* 6089.

Summary of capital outlay on productive works of irrigation and navigation in each year since 1867-68, *App.* 557. 726, 727.

Amount of annual expenditure for protective works since 1881-82, *App.* 693.

Amount of capital outlay in each year since 1867-68, *App.* 698, 699.

Expenditure on irrigation works (famine relief, &c.) in each year since 1881-82, *App.* 714, 715.

Abstract statement of annual working expenses, *App.* 738, 739.

J.

Jaitpore to Verawal. Approval of a line from Jaitpore (Katiawar) to Verawal, where there would be large traffic to visit the temples of Dwarka, *Ashburner* 6339. 6445-6447.

Jhansi-Bargarh Railway. Particulars respecting this line, as proposed by the Government of India, in January 1883, *App.* 524. 533.

Jhansi-Cawnpur Railway. Statement that the district between Jhansi and Cawnpur may be called one field of grain, extending a few miles only from the trunk road; plenty of land available for cultivation beyond this limit, *Glover* 2048-2051. 2056, 2057. 2163-2166.

Decided opinion that the Jhansi, Gwalior, and Cawnpur is a line which should induce capitalists to support it without a Government guarantee; intention of witness to invest largely in it, whether he (as contractor) makes the line or not, *Glover* 2128-2131.

Information generally with reference to the proposed line from Jhansi to Cawnpur; contention that there is no need for this line for commercial purposes, although it may be needed as a famine line, *Crawford* 3664, 3665. 3672-3681. 3754-3758. 3884-3897. 3930-3933. 3945. 3985, 3986——Considerable difference in the opinions of Mr. Glover and Dr. Hunter on the subject of the fertility of the country between Jhansi and Bhopal, *ib.* 3675-3677. 3857-3861. 3930-3933.

Documentary evidence submitted by Major Conway-Gordon, showing the views of the Government of India and of the Madras Government in favour of the construction of this line; approval on the part of the Secretary of State, *App.* 900-902. 920.

See also *Bhopal to Jhansi, Gwalior, and Cawnpur.*

Jhansi-Manikpur Railway. Statement by the Government of India that it would be fatal to construct the line from Jhansi to Manikpur upon any other than the broad gauge, as it would connect the Bhopal line to Cawnpur with the East Indian Railway, *Chapman* 871——Explanation as to the grounds for constructing the line from Manikpur to Jhansi on the metre gauge, *Trevor* 1818-1822.

Information respecting the proposed line from Jhansi to Manikpur; considerable expense in regard to the coal traffic on account of the difference in gauge between that line and the East Indian, *Crawford* 3754-3758. 4009-4018——Belief that the new line from Jhansi to Manikpur will partially serve the purposes of a famine line through that district, *ib.* 3754-3758.

Instance of the Jhansi-Manikpur Railway as a good example of the difficulties resulting from the want of any principle as to the application of the two gauges; deadlock in the

Report, 1884—*continued.*

Jhansi-Manikpur Railway—continued.

construction of this line owing to differences between the Home Government and the Government of India on the question of gauge, *Conway-Gordon* 4595-4615. 4620-4624 ——Diversity of opinion between the Government of India and the Secretary of State with regard only to the difference in cost between the broad and narrow gauge construction on the Jhansi-Manikpur line, *ib.* 5364. 5432-5437.

Desire on the part of the Indian Government that the present Committee will recommend the construction of the Jhansi and Manikpur line upon the broad gauge; if this line be made on the narrow gauge it would, in the event of famine, lead to delay and loss of life, *Hunter* 7152. 7409-7415 —— Contention that the difference of opinion between the Government and the Secretary of State in regard to the Jhansi-Manikpur line has had the effect of delaying progress, *ib.* 7226.

Information respecting the districts which will be protected by the construction of the Jhansi-Manikpur line, if sanctioned; complete communication with the food-producing countries by this line, conditional on the whole of the Government proposals for the district being carried out, *Hunter* 7288-7302.

Despatch from the Government of India to the Secretary of State, dated 18th August 1883, submitting a revised scheme for the construction of a broad gauge line from Jhansi, *viâ* Banda, to Manikpur on the East Indian Railway; estimates of cost and traffic, great importance being attached to the line, *App.* 785-787.

Documentary evidence submitted by Major Conway-Gordon respecting this line, a proposed by the Government of India, its advantages, estimated cost, &c.; sanction given by the Secretary of State, *App.* 859-862. 919.

Sanction not yet given to the difference between the cost on the broad gauge and the cost on thle narrow gauge, *App.* 859, 860. 920.

Provision for the wants of Bundelkund by this line, *Rep.* vii.

Jhingharpur-Dinajpur Railway. Documentary evidence submitted by Major Conway-Gordon respecting this line, as proposed by the Government of India, its advantages, estimated cost, &c.; sanction given by the Secretary of State, *App.* 876-879. 919.

Jubbulpore-Gondia Railway. Length and cost of this project, as proposed by the Government of India to be left to private enterprise, *App.* 529.

Jullundur-Hoshearpur Railway. Conclusion that the Jullundur-Hoshearpur line, which is twenty-six miles long, would be exceedingly useful, *Conway-Gordon* 5400.

Jute. Importance of increased facilities for the transmission of jute and other products from districts at present unserved by railways, *Birkmyre* 3478-3481.

K.

Kalpi to Cawnpur. Desirability of a line from Kalpi to Cawnpur, which would be very inexpensive, as the country is quite flat, without waterway, *Crawford,* 3777-3779.

Kandahar. See *Indus Valley and Kandahar Railway.*

Karwar-Hubli Railway (Bombay.) Length and cost of this project, as proposed by the Government of India, to be left to private enterprise, *App.* 531.

Katna-Comeria-Bilaspur Railway. Particulars respecting this line, as proposed by the Government of India in January 1883, *App.* 527.

Kattywar. Construction of some railways in Kattywar by the native chiefs; desire of the latter for a junction of these lines with the Rajpootana Railway, *viâ* Veerungaum, *Anderson* 717-723. 732, 733.

Willingness of the native princes of Kattywar to subscribe capital towards the construction of certain local lines, *Anderson* 718-723. 735, 736.

Khangaon Railway. Statement showing, for each year, the mileage, average age, cost, and general results of working, *App.* 780, 781.

Kutni to Calcutta. Approval of the construction of a line from Kutni to Calcutta, as suggested by the Secretary of State, for the purpose of giving access to the coal deposits in the Rewah country; statement as to the good character of this coal and its estimated cost of production, *Crawford* 3687-3690. 3768-3773. 3824-3830. 3954-3957. 3987-3989.

Report, 1884—*continued.*

L.

Labour. See *Employment. Wages.*

Lalitpore-Katni-Bilaspore. Particulars respecting this line, as proposed by the Government of India in letter of 23rd January 1883, *App.* 513, 514.

Land (*Railway Extension*). Statement that as regards the lines left to be undertaken by unassisted private enterprise the Government will merely grant the land free of cost, *Conway-Gordon* 3499-3501.

Explanation that the land will be given by the Government of India to any company desiring to take up a line, but beyond this assistance Government will not go, *Westland* 4991-4997.

Land, free of cost, given to the companies under the different plans or terms on which railway construction has of late been carried ont, *Rep.* x.

Land Revenue. Effect of the railways in increasing the product of the soil, but not indirectly enhancing the amount of the land revenue, *Strachey* 353-355——Receipt of 22,000,000*l.* a year from land, *Sir J. Caird* 657——Increase of the land revenue consequent upon railway extension, *Conway-Gordon* 4268, 4269; *Danvers* 6887. 7021.

Conclusion that in the event of financial pressure through the railways not paying, the Government would not resort to the raising of the land-tax, *Westland,* 5338-5346——Obstacle to sudden increase of the land revenue receipts; explanation that increase arises partly from land being brought into cultivation, and partly from higher prices and new settlements, *ib.* 5344-5346.

Undoubted opinion that railways develop in a remarkable way the resources of the country; examples of large increases of land revenues which have taken place in consequence of the proposal for the Western Deccan line, *Ashburner* 6343, 6344. 6405-6414. 6426. 6437, 6438——Very small increased taxation in regard to the land revenue as compared with the extra profits derived from the land, *Hunter* 7217, 7218.

Benefit to some extent to the land revenue by reason of the extension of railways and the increased facilities for the export of wheat, &c., *Rep.* vii.

Limited Guarantee. See *Bengal Central Railway. Guarantees, &c.,* 4, 5. *Southern Mahratta Company.*

Liverpool. Sundry details and explanations as to the views of the Liverpool Chamber upon the question of railway extension in India, *Coke* 1256 *et seq.*——Explanation that Liverpool is the port of import for the greatest amount India produces, *ib.* 1256-1258——Resolution passed by the Liverpool Corn Trade Association in favour of railway extension in India, *ib.* 1267.

LOANS (*RAILWAYS, &c.*):

1. *Views of General Strachey upon the Question of Borrowing in England or in India; Expediency of Limiting the Creation of Sterling Debt.*
2. *Explanations and Suggestions by Mr. Hardie, with reference more especially to the Question of Sterling Loans in England, or of Rupee Loans in India.*
3. *Views of Major Conway-Gordon as to the Annual Amount to be Borrowed for Railways, &c., and as to the Expediency of issuing Loans in England.*
4. *Evidence of Mr. Crawford strongly in Favour of Loans being raised in India.*
5. *Explanations and Suggestions by Mr. Westland respecting the Amount of Government Loans, and the Financial Result of Borrowing in Sterling in England, or in Rupees in India.*
6. *Information supplied by Mr. Waterfield, together with Suggestions as to the Issue of Loans in India or in England.*
7. *Suggestions by other Authorities as to the Amount to be Borrowed for Railways, and as to the Question of raising the Money in England or in India.*
8. *Concurrence of Opinions favourable to Rupee Loans in India; Difficulty as to Native Investment, on account of the Low Rate of Interest.*
9. *Amount of outstanding Loans or Debt; extent to which taken up or held in India.*
10. *Communications from the Secretary of State in Council and the Government of India.*
11. *Summary by the Committee, and Conclusions arrived at.*

Report, 1884—*continued.*

LOANS (*RAILWAYS, &c.*)—continued.

1. *Views of General Strachey upon the Question of Borrowing in England or in India; Expediency of limiting the Creation of Sterling Debt:*

Grounds for the conclusion that it is exceedingly unwise to increase the sterling liabilities of the Secretary of State, either in the shape of a guarantee of interest in sterling or the creation of sterling debt, *Strachey* 197-223 —— Opinion that the power of borrowing in sterling should be reserved for times of difficulty and occasions of emergency, *ib.* 197—— Compulsion upon the Secretary of State by the force of financial circumstances to borrow in England, though he has tried very hard to avoid it, *ib.*

Facility, even in the time of the Mutiny, with which loans have been raised in England, including the money required for the guaranteed companies, *Strachey* 267-271—— Statement as to it never having been attempted to bring out a rupee loan in England, *ib.* 1267-1209.

2. *Explanations and Suggestions by Mr. Hardie, with reference more especially to the Question of Sterling Loans in England, or of Rupee Loans in India:*

Information generally respecting the Government loans in India; those loans have been largely absorbed in England of late years, *Hardie* 2795-2809. 2837-2839. 2887-2893. 2910-2926. 2959-2972. 2982-2987. 2997-3012. 3015-3043——Tendency of the suspension of the Bland Bill to deter capitalists in England from taking up loans in silver, *ib.* 2798-2800. 2911-2914. 2921. 2997-2999——Belief that there are causes at work at the present time which will make it difficult in the future for the Government of India to get loans in the country itself, *ib.* 2799——Statement that the last loan fell almost entirely on the Indian money market; great rise in consequence in the rates of interest, *ib.* 2800.

Impossibility of laying down any fixed rule as to the amount of the Government loan to be offered annually to the Indian market, *Hardie* 2801-2805—— Decision of the Government not to give further loans to local bodies; the result of this decision will be that in future these bodies will compete wtih the Government in regard to loans, *ib.* 2806-2808. 2887-2889—— Greater difficulty in the future for the Government to obtain loans on account of the local bodies being forced into the market to compete; expediency, for this reason, that the Government should be left free to borrow anywhere in the open market, *ib.* 2807-2809.

Grounds for the conclusion that if loans are to be raised in gold, they should be raised in England and not in India; impossibility for the Government to borrow in India in silver at the present time, except upon prohibitive terms, *Hardie* 2913-2926——Strong opinion that looking at the financial interests of India alone, it is advisable that all loans should be raised in England and not in India, *ib.* 3005-3034.

Advantage in borrowing in India to the extent to which loans can really be absorbed in that country; small amount thus available annually, *Hardie* 3010-3014. 3019-3027. 3043——Expediency of the Government issuing their loans in sterling instead of silver, this course having the effect of re-assuring the public, and of leading to a considerable rise in the price of rupee loans, *ib.* 3039-3042.

3. *Views of Major Conway-Gordon as to the Annual Amount to be Borrowed for Railways, &c., and as to the Expediency of issuing Loans in England:*

Explanation respecting the proposals of the Government of India in regard to altering the limits now fixed for direct borrowing on productive public works; desire to increase the amount for railways alone, and not to alter that for irrigation purposes, *Conway-Gordon* 3540-3548.

Desirability that the limit placed on the borrowing powers of the Government should be elastic, and only put into practical operation in extreme cases; obvious expediency that the Government should have power to push on their works rapidly when money is cheap, *Conway-Gordon* 3551-3553. 3597, 3598——The one important point in regard to this limit should be, that the borrowing should never be pushed at such a rate as to injure the credit of the Government, *ib.* 3553. 3594.

Conclusion that the principle laid down by the Select Committee of 1879 in regard to borrowing by the Indian Government was a sound one, *Conway-Gordon* 4077. 4312—— Opinion that the Secretary of State unduly restricted the recommendation of the Committee of 1879 in regard to requiring that the money should be borrowed in India; belief that it would be wise at the present time to borrow in London the whole amount required for public works in India, *ib.* 4243-4257——The responsibility for the late borrowing in India and not in England rests entirely with the Secretary of State, *ib.* 4246, 4247.

Conclusion that one great objection to rupee loans is that the Government become competitors in the money market, and so drive up the commercial rate, *Conway-Gordon* 5537-5539.

4. *Evidence*

Report, 1884—*continued.*

LOANS (RAILWAYS, &c.)—continued.

4. *Evidence of Mr. Crawford strongly in Favour of Loans being raised in India:*

Grounds for the opinion that the principle of borrowing money in England for railway extension, and so imposing a heavy addition to the liabilities of India, is altogether wrong; belief that there is in India a sufficient amount of money, and that it should be borrowed there, even though at a higher rate than in England, *Crawford* 3693-3695. 3720-3727. 3811-3815. 3834-3839.

Suggestion that a loan should be issued in India without the privilege of receiving interest in England in the form of bills of exchange; strong belief that this course would be successful in obtaining the money in India from wealthy natives, *Crawford* 3694, 3695——Statement that 4 and 4½ per cent. loans were taken up readily by natives in former times, *ib.* 3723, 3724.

Further examination as to the expediency of raising the necessary funds in India for the projected railways, rather than in England; argument that the present generation are not justified in getting advantages at the expense of the future by the accumulation of debt year by year against the natives of India, *Crawford* 3936-3942. 3970-3979.

Decided opinion that regarding the interests of India, there is too much money being borrowed on her account in England, *Crawford* 3972-3976——Entirely different principles which govern the circumstances connected with loans to India and loans to America or Australia raised in England, *ib.* 3973. 3976-3979.

5. *Explanations and Suggestions by Mr. Westland respecting the Amount of Government Loans, and the Financial Result of borrowing in Sterling in England, or in Rupees in India:*

Information generally with reference to the borrowing operations of the Government; statement that these operations always exhaust for the time the whole resources of the Indian market, *Westland* 4785-4808. 4833-4844. 4951. 4956. 4962, 4963. 4979-4990——Large amount of permanent investment in the Government loans taken up in England, *ib.* 4787-4790.

Decided opinion that at the present time two and a-half crores is too much to throw each year upon the Indian market, *Westland* 4791——Statement that the difficulty of borrowing in India is increasing, while on the other hand the facility of borrowing in London is also increasing, *ib.* 4792-4795. 4841, 4842. 5087-5090. 5289-5296.

Information as to the net result to the Government in regard to raising loans in sterling in England as compared with raising them in rupees in India; smaller percentage paid for the loans in England, than is paid in India for rupee loans, *Westland* 4801-4804.

Strong opinion that the Government should be left with free hands as regards borrowing, and that there should be no hard-and-fast rule on the subject; contention that this freedom should apply not only to the place of borrowing but to the limit of the amount, *Westland* 4805-4807.

Conclusion that if the Government were to come into the London market to borrow five millions annually, they would have to pay more than they do at present, *Westland* 4951——Grounds for the opinion that the liability for the loans should be divided between the Government and the guaranteed companies, *ib.* 4980-4990.

Additional examination with reference to the financial results of borrowing in India or in England; argument that there is no saving by borrowing large sums in England, as the difference in cost is a matter of account, and not an actual saving, *Westland* 5072-5097. 5119, 5120. 5289-5303. 5356-5362.

Belief that as regards the increase of sterling borrowing in England, the interest on which has to be remitted from India, the exchange will adjust itself, and that although it may do so at a lower rate it will not be a calamity for India, *Westland* 5215-5219——Grounds for considering it expedient to raise as much as possible in India of the money required for the Government proposals as to railway extension, *ib.* 5302, 5303.

Paper submitted by Mr. Westland, dealing with the question of loss or gain by substituting sterling borrowing for rupee borrowing; correction of misapprehensions on various points, *App.* 624-629.

Consideration by Mr. Westland of the financial results of the proposals of the Government of India as regards railway extension; conclusion that a considerable margin exists after undertaking the whole of the proposed lines, *App.* 640-645.

6. *Information supplied by Mr. Waterfield, together with Suggestions as to the Issue of Loans in India or in England:*

Rule laid down by Lord Salisbury in 1874, that all money required for railways should be raised in India, *Waterfield* 6039-6045——Sources from which the money laid out on canals and railways during the past five years has been supplied, *ib.* 6088.

Examination as to the mode intended to be adopted by the Government of India to

Report, 1884—*continued.*

LOANS (*RAILWAYS, &c.*)—continued.

6. *Information supplied by Mr. Waterfield, &c.*—continued.

raise money for the proposed works during the next five years; thirty millions sterling to be borrowed in the open market during this period, *Waterfield* 6089-6098. 6104, 6105. 6117-6119. 6121-6130. 6132, 6133. 6160-6170. 6184-6192 ——Absence of restriction on the Government of India as regards the amount to be borrowed in India; in England the power to borrow is strictly limited by Parliament to a specified amount, *ib.* 6091. 6095.

Necessity of obtaining an Act of Parliament if it be intended to adopt a system of borrowing in England; unwillingness hitherto on the part of Parliament to entrust large borrowing powers to the Home Government, *Waterfield* 6097, 6098——Explanation as to the saving by borrowing in England if exchange were to remain unaltered; impossibility for various reasons of laying down a precise rule as to the line to be drawn between borrowing in India and in England, *ib.* 6118, 6119.

Further examination relative to the mode of raising money for the proposed works; calculation that the saving by borrowing in England as compared with borrowing in India is about a half per cent., *Waterfield* 6196-6200. 6221-6239. 6249-6253. 6260-6267. 6289-6295. 6304-6309——Admission that the objection to borrowing is minimised if the borrowing takes place in that metal which is used in the currency of the country, *ib.* 6224.

Impossibility of borrowing in India even at an extra cost of a half per cent.; sufficient money to carry out the proposals of the Indian Government for the next five years, *Waterfield* 6226, 6227——Conclusion that the question of putting out a loan in the Indian money market is one merely of price; belief that there is no reason to suppose that money cannot be borrowed in rupees if the amount be not too large, *ib.* 6251-6253.

7. *Suggestions by other Authorities as to the Amount to be borrowed for Railways, and as to the Question of raising the Money in England or in India:*

Conclusion as to the necessity of borrowing from Indian railways in England, as being the cheapest market, *Sir J. Caird* 48——Facility with which the Government might raise for the next six years 3,000,000 *l.* a year in the London market, at a low rate of interest, in addition to a similar expenditure out of the revenues of India, for the extension of railways, Government taking all the risk and all the control, *ib.* 598-603.

Desirability of raising the necessary capital by means of private companies; expediency at the same time of the Secretary of State being free to utilise both the agencies of State railways and of companies, according to circumstances, *Chapman* 741-743. 901, 902 Disapproval of placing any limit on the borrowing powers of the Indian Government for the purpose of railways, *ib.* 906——Contention that it is immaterial whether loans are raised in India in silver or in gold; explanation that borrowing in silver is entirely nominal, as it does not represent a payment on the part of the people who use silver, *ib.* 923-925.

Consideration of the subject of raising money for the construction of Indian railways; assertion that the capital required cannot be raised in India, *Coke* 1274-1280. 1288-1290. 1334-1340. 1350-1363. 1368-1370. 1392——Statement that the public in England trust the credit of the Indian Government much more than they do that of many foreign Governments in regard to investments, *ib.* 1278-1280——Opinion that fifty millions in five or six years is a comparatively small sum for the London market to find, *ib.* 1279, 1280.

Belief that the result of borrowing five or six millions annually in the London market would be injurious to the credit of the Government, *Trevor* 1669, 1670. 1772-1776. 1801-1804.

Considerations as to the best means of raising the capital necessary for the proposed railway; belief that the required amount can only be raised in England, *Bullen-Smith* 2312-2320. 2328-2337. 2377-2383——Belief that the rates of money in England and India are gradually approximating to each other, although the normal rate of money for purposes generally is considerably higher on that side than on this, *ib.* 2335.

Means to be adopted for raising money for the construction of the proposed lines; grounds for the opinion that it is of no use to look to India for any portion of the capital, *Bythell* 2610. 2612. 2711.

Suggestion with reference to the means by which money for railways should be raised; that is, by loan in London, it being the cheapest market, *Birkmyre* 3353-3358. 3378.

Expediency of leaving the question of railway finance to be settled between the Government of India and the Secretary of State, *Ashburner* 6402-6404.

Information generally with reference to the Government Rupee Loans; statement also

Report, 1884—*continued.*

LOANS (RAILWAYS, &c.)—continued.

7. *Suggestions by other Authorities as to the Amount, &c.*—continued.

also as regards the capacity of the Indian and of the English markets to absorb the capital required, *Robertson* 6548–6550. 6570-6582. 6602-6608. 6647-6651. 6656-6661. 6687-6691.

Strong opinion that the consolidation of the existing Rupee Loans into one or two loans would greatly tend to make them popular, both in England and in India, *ib.* 6550. 6687-6691.

Belief that it would be impossible to control the companies in regard to where they should borrow their money; conclusion that they would borrow in the cheapest market, which would be this country, *Robertson* 6647-6651——If there is to be any considerable extension of the railway system in India it will be necessary to borrow largely in England, either through companies or in connection with the Government, *ib.* 6659, 6660——Desirability that the Government should in the present uncertain state of the silver market restrict its liability in respect of sterling loans in this country as much as possible, *ib.* 6661.

Evidence as to the means to be adopted for raising money for the construction of new lines; expediency, if it be practicable, of borrowing in India rather than in England, *Danvers* 6872. 6874. 7028-7050. 7072-7075——Desirability of leaving the Government to exercise its own discretion as to borrowing, *ib.* 6872.

Examination with regard to the principle to be adopted in reference to the borrowing arrangements of the Government; opinion that the present Committee should fix a limit of three and a-half millions as the annual amount to be borrowed for railway construction, *Hunter* 7158. 7171-7184. 7228-7230. 7335-7347. 7427-7434.

Views of the Bombay Chamber of Commerce as to the expediency of the money being raised in London by sterling loans, *App.* 601.

Memorandum submitted by Mr. Wood in connection with tables showing the advantages of taking up Indian loans in England instead of in India, *App.* 691, 692.

8. *Concurrence of Opinions favourable to Rupee Loans in India; Difficulty as to Native Investment, on Account of the Low Rate of Interest:*

Suggestions as to the best mode of inducing the natives of India to invest in the loans to be raised for railways; grounds for the opinion that interest at four per cent. would be quite sufficient to pay on a Rupee Loan in India with this object, *Coke* 1350–1363.

Additional evidence as to the means to be adopted for raising the capital necessary for the construction of Indian railways; desirability of establishing a system of open loans by which the people would have an interest in the government of the country, which they would not have otherwise, *Coke* 1431–1440. 1466-1470.

Small amount invested by natives in Government loans when only four per cent. can be obtained; interest received by natives in Calcutta for private loans at from ten to fifteen per cent., *Hardie* 2837-2839. 2915. 2976-2981. 2988-2996——Great importance that the Government of India should borrow from the natives to the utmost extent to which they are willing to lend, *ib.* 2961——Great political advantage that the natives should have a direct pecuniary interest in the finances of the State, *ib.* 2961. 3020-3022——Very limited extent to which money at four per cent. can be borrowed in India, on account of the advantageous terms on which advances can be made on mortgage, *ib.* 2988-2996.

Evidence strongly in favour of the loans required for new railways being raised in India instead of in England; importance of native capital being thus invested, *Crawford* 3693 *et seq.*; 3936-3942. 3970-3979.

Unsuccessful efforts made in India since 1870 to induce the masses of the people to invest small amounts in Government loans; stock notes for sums varying from 12½ to 100 rupees issued at the treasuries throughout the country, *Westland* 4792-4795. 4841-4842——Provincial debentures at 4 and 4½ per cent, in connection with public works also issued, but not successfully taken up by the people, *ib.* 4793-4795.

Further explanation of the reasons for the difficulty which exists at present in regard to borrowing in India; opinion that the accumulations of money are only in the hands of those natives who follow mercantile pursuits, and that they will not invest in 4 per cent. loans, *Westland* 5289-5296.

Statement with regard to the financing of railways that every attempt to raise money in India on a large scale has been a failure, *Rendel* 5698.

Opinion that the construction of public works from borrowed money, if raised in India, will be an unmixed good; belief, however, that directly the money has to be procured from abroad an element of danger comes in, *Waterfield* 6104. 6221.

Belief that loans in silver, upon which interest was payable in Calcutta, would not be

Report, 1884—*continued.*

LOANS (*RAILWAYS, &c.*)—continued.

8. *Concurrence of Opinions favourable to Rupee Loans in India, &c.*—continued.

be taken up in India beyond the extent of about a million and a quarter a year, *Robertson* 6607, 6608. 6658.

Conclusion as to the expediency of borrowing as much as possible in India, *Danvers* 6872. 6874. 7028–7050. 7072–7075.

9. *Amount of outstanding Loans or Debt; Extent to which taken up or held in India:*

Large amount of Government 4 per cent. rupee paper held by natives; description of the class of natives who invest their savings in this way, *Hardie* 2978–2981——Considerable amount of Government paper in the hands of natives, upwards of twenty millions sterling being held in the year 1878; *Conway-Gordon* 4484, 4485.

Particulars as to the class of people in India who in the first instance take up the loans; instance of a doorkeeper in the bonded warehouse at Calcutta, whose salary was 12 rupees a month, and who was a large and successful dealer in Government paper, *Westland* 4786——Distribution of the debt of India as held by natives in India, Europeans in India, and the amount enfaced to London, *ib.* 4800.

Information as to the Indian debt, which at the 31st March 1883 amounted to 159,274,000 *l.*; the increase of debt between 1871 and 1883 amounted to 50,359,000 *l.*; *Westland* 5177–5179. 5186–5193——Calculation that from 1870 to 1883 the rupee debt in England had increased by 24,000,000 *l.*; *ib.* 5191, 5192.

Statement as to the increase of the rupee debt since 1813; one-fourth of the rupee securities held by natives and three-fourths by Europeans, *Waterfield* 6093——Fluctuations in price of the 4 per cent. rupee securities since 1861, when they were at 71; price of these securities unduly high in recent years owing to exceptional circumstances, *ib.* 6117.

10. *Communications from the Secretary of State in Council and the Government of India:*

Despatches from the Secretary of State, and letters in reply from the Government of India, in the period from 6th January 1881 to 29th January 1884, respecting railway extension, the progress to be made, the amount of money to be raised for the purpose, and the means of meeting the interest on outlay, *App.* 488 *et seq.*

Explanations in detail in letter from Government of India, of 23rd January 1883, respecting the amount of expenditure proposed, and the means of meeting the same, by loan and otherwise, *App.* 509–523.

11. *Summary by the Committee and Conclusions arrived at:*

View of the Select Committee of 1878–79 in favour of loans for public works being raised in India, *Rep.* iii.

Facility in borrowing the requisite capital at a cheaper rate than in former years, *Rep.* viii.

Concurrence of evidence as to the limited amount which can be raised annually in India, *Rep.* ix.

Opinion that if the capital required could be really obtained from Indian sources the advantage of borrowing there, as compared with borrowing in England, would be very great, *Rep.* xi.

Political as well as financial reasons for raising loans in India rather than in England, *Rep.* xii——Belief however that rupee loans, which are not really absorbed in India, do not differ materially from sterling loans in their effect upon exchange, *ib.*

Great difficulty in arriving at any definite conclusion respecting the sum which may, on an average of years, and with safety to the finances, be annually borrowed for the construction of public works, *Rep.* xii.

Opinion that whilst the present limit of annual borrowing, fixed by the Committee of 1878-79 at 2,500,000 *l.*, might safely be enlarged, the full responsibility of deciding upon the amounts to be borrowed from year to year should rest with the Secretary of State in Council, *Rep.* xii.

Concurrence in the recommendation of the Select Committee of 1879, that when the difference between the rates of interest in India and in England is so considerable as to afford full compensation for the great comparative disadvantages which inevitably attend borrowing in this country, the Secretary of State should not hesitate to borrow such moderate

Report, 1884—*continued.*

LOANS (RAILWAYS, &c.)—continued.

11. *Summary by the Committee, and Conclusions arrived at*—continued.

moderate sums here, as will enable the Government of India to complete such public works as shall have obtained his sanction, *Rep.* xii.

See also *Capital. Exchange, Loss by. Expenditure (Railways). Extension of Railways. Financial Condition of India. Guarantees, and Guaranteed Railways. Private Enterprise. Productive Lines. Protective Lines.*

Local Capital. See *Loans. Native Capital.*

Local Taxation and Administration. Approval under certain limitations of power in the localities or the provincial governments to levy a railway cess, in order to make up the required rate of interest on new lines; that is, in the case of productive districts, *Strachey* 187-196. 272-274——Doubt as to the expediency of a system of local railway cess in aid of interest on protective lines, *ib.* 192-196.

See also *Administration and Management. Provincial Governments.*

Local Traffic. Greater importance of creating local traffic than of considering export traffic with communications to the sea, *Rendel* 5662-5665. 5975-5990.

Locomotives See *Engines and Rolling Stock. Working Expenses.*

Lord, George. (Analysis of his Evidence.)—Is a merchant in Bombay, Manchester, and Liverpool; has been President of the Chambers of Commerce in Manchester and Bombay, 2460.

Information generally as to the benefit to India which would result from an extension of railways; details illustrating the great increase in the Indian trade of late years since the introduction of railways, 2461, 2462. 2494. 2532, 2533——Statement that cotton is one of the largest exports from India; great advantage of railways in bringing the merchant into contact with the grower, 2461. 2551-2559——Important fact that the Indian cotton competes on favourable terms with that raised in America; beneficial effect of the railway which was constructed lately between Ahmedabad and Ajmeer, which brings cotton to Bombay instead of to Calcutta, as formerly, 2461, 2462.

Contention that the extension of railways will lead to a largely increased cultivation of wheat, and also to a material rise in the price; statement that wheat 200 miles from any railway is worth at the present time 20 *d.* per 200 lbs., 2462. 2494. 2507-2511. 2560-2567. 2572-2579.

Large extent to which the railways in India conduce to the employment of labour; statement that 95 per cent. of the employés are natives, 2462——Conclusion that apart from protection and relief from famine, the extension of the railways has greatly benefited both the trade and people of India, 2462.

Suggestions as to the districts most in need of new railways; great importance of a line from Bhopal to Jhansi and Gwalior, with an extension to Cawnpur, 2463-2477——Immense advantage to Bombay and also to Calcutta of the proposed Nagpur and Bengal line; opinion that this line would not injuriously affect the traffic to Calcutta, 2463-2468. 2475.

Suggestion that the Bhopal line should be constructed on the broad gauge, 2469——Expedieney of extending the existing line from the Bombay and Baroda railway to Godra, as far as Rutlam, 2475, 2476—— Approval of the construction of the protective lines which have been recommended by the Famine Commission, 2477.

Strong feeling that there should be no break of gauge upon the Indian railways, 2478——Decided opinion that it would be a disastrous arrangement if the narrow gauge were to be adopted upon any of the main lines of communication; contention also that all the railways in the great plains of Northern India should be on the broad gauge, 2478, 2479. 2534-2536.

Grounds for considering it expedient to carry out railway schemes by means of private companies, with modified guarantees from the Government; very great difficulty which would arise in organising a staff of engineers, if the Government took the construction upon themselves, 2480-2483. 2501, 2502. 2537-2543——Approval of the system of guarantee given by the Government to the South Mahratta Company; statement generally in regard to the terms given to this company, 2480-2482. 2514, 2515.

Evidence as to the proper means to be adopted for raising the capital necessary for the proposed railways; belief that there is in India large quantities of money available for the works, 2484-2489. 2495-2498. 2517-2531. 2546-2550. 2580-2604——Opinion that one-fourth of the total amount required annually could be raised in India; explanation as to the previous reluctance of the natives to invest in Government securities, 2484-2487. 2516.

Grounds for the view that the financial operations of the Government in respect to loans would have but a very small effect on the exchange; steadiness in the rate of

Report, 1884—*continued.*

Lord, George. (Analysis of his Evidence)—*continued.*

exchange during the last five years, 2489-2494. 2499, 2500——Increased export goods from India which would follow on an extended railway system, 2503-2505.

Statement that the only difference of opinion between witness and the Chamber of Commerce of Bombay is in regard to their proposal that twenty millions should be spent annually upon railways; contention that ten millions annually is enough, 2512, 2513——Preference for railways to irrigation works as regards the means of conveying food during famine times, 2544, 2545——Strong opinion that the Government should, when giving a guarantee, take power to control the rates, 2568-2571.

Loss of Life. See *Famines, &c.*

M.

Madaksira District. Statement showing the area, population, and loss of population during the famine in this district, *App.* 587.

Madras Chamber of Commerce. Views of the Madras Chamber as to the expediency of pushing on the famine lines with greater speed, *Westland* 4762.

Resolution of the Chamber in October 1883 in favour of an extended system of borrowing for the more rapid extension of railways, *App.* 586.

Madras (Coast Line). Sufficiency of the metre gauge for the proposed line to Cuttack in Orissa, with extensions along the Madras coast; probability that a narrow gauge line would pay, *Sir J. Caird* 403-406. 516——Question considered as to the saving by adopting the narrow instead of the broad gauge for the proposed coast line between Madras and Calcutta, *ib.* 497-500.

Great importance further attached to a line from Calcutta to Madras, passing through and connecting the rich country of Orissa with the country of the Godavery and the Kistna, *Sir J. Caird* 588-593. 660.

Grounds for the view that the proposed coast line from Madras to Calcutta is a good example of a line that ought not to be made, *Wood* 2281, 2282.

Practical impossibility to construct a coast railway from Calcutta to Madras, on account of the cost of bridging the numerous rivers, *Westland* 4941.

Madras Irrigation and Canal Company. Unsatisfactory results in the case of the Madras Irrigation Company, *Strachey* 239, 240.

Madras Presidency. Nature of the facilities for the relief of famine in Madras and Southern Bombay; favourable situation of Madras for receiving supplies by sea, *Sir J. Caird* 576-579.

Particulars respecting the several lines proposed by the Government of India in January 1883, *App.* 524-526. 531.

See also *the Headings generally throughout the Index.*

Madras Railway. Importance of the Madras lines for the prevention of famine, though they have not been remunerative; very heavy cost of construction, *Sir J. Caird* 440-442.

Statement that the Madras, and the Oude and Rohilkund Railways, may be considered as commercial failures; explanation that the failure of the Madras Railway was owing to the fact that it was so laid out that it avoided every town, *Conway-Gordon* 4493-4496——A comparison between the South Indian and the Madras lines is not an entirely fair one, because of the expensive management of the latter, *ib.* 6737. 6738.

Revenue accounts of the Madras Railway for each half year from 31st December 1881 to 31st December 1883, *App.* 760, 761.

Statement showing for each year the mileage, average age, cost, and general results of working, *App.* 772, 773.

Statistics of the cost of working under different heads, *App.* 798 *et seq.*

Maintenance, Cost of. Statement that the cost of maintaining the narrow gauge is greater in proportion to the traffic than the cost of maintenance of the broad gauge, *Trevor* 1739-1746.

Conclusion that the cost of maintenance on the broad and narrow gauge is identically the same; very small amount of difference between the general staff expenses on the two gauges, *Glover* 2252-2260.

Explanation that on all railways the cost of repairs pays for itself, the repairs being in proportion to the traffic carried, *Rendel* 5911-5917.

Report, 1884—*continued.*

Maintenance, Cost of—continued.

Explanation that the large difference between broad and narrow gauge as regards maintenance is materially affected by the age of the line, *Conway-Gordon* 6782-6784.

Abstract statistics of the cost of working in respect of maintenance in each half-year from that ending 30th June 1881 to that ending 30th June 1883, *App.* 822-827.

See also *Working Expenses.*

Management of Railways. See *Administration and Management.*

Manchester. Evidence on behalf of Manchester, and the Manchester Chamber of Commerce, *Lord* 2460 *et seq.*; *Bythell* 2605 *et seq.*; *Graham* 2715 *et seq.*

Manikpur to Jhansi. See *Jhansi-Manikpur Railway.*

Manufactures (*India*). Effect of extended railway facilities not only in stimulating production, but in leading to an increase of manufactories, *Sir J. Caird* 431-435——Statement that in Bombay some cotton mills have been created and are carried on extensively by natives, *Hardie* 2937.

Character of the extensive business carried on at Calcutta by witness' firm, who employ about 5,000 natives, 200 criminals, and seven Europeans; manufactures from his firm sent to all parts of the world, *Birkmyre* 3330-3335. 3395-3398.

See also *Native Industries.*

Manure. Practice of burning manure as being the readiest and cheapest fuel; very important experiment to the effect that the ashes of burnt manure give a better crop than is given by the manure in a fresh state, *Sir J. Caird* 566.

Map of India. Map of India, showing railways open to traffic, under construction, and as proposed by Honourable T. C. Hope, on 1st September 1882, *App.* 522.

Materials, Cost of. See *Cost of Construction. Rails and Sleepers.*

Metre Gauge. See *Gauge.*

Mileage of Railways. Statements showing the mileage of the principal lines, and the mileage open annually of each railway in India, *App.* 694. 770-781.

Paper submitted by Major Conway-Gordon showing the mileage, single as well as double, of all the railways open for traffic on 29th February 1884, *App.* 788.

Military Lines. Approval of money being borrowed for lines needed for military purposes, such as the line to Quetta, though not likely to be productive, *Strachey* 18——Facility from the railways in the movement of troops; doubt, however, whether the existing force in India admits of diminution even if the lines were much extended, *ib.* 1220-1222.

Necessity for special arrangements and negotiations between the Government and private companies in the event of a line being deviated for strategical or protective purposes; belief that the interests of the commercial line to be made would not be antagonistic to those of the strategical line, *Chapman* 845-853.

Capital outlay on military works in each year since 1867-68, *App.* 698, 699.

See also *Quetta Railway.*

Mineral Resources. See *Coal. Iron.*

Miscellaneous Expenditure. Statement of the net disbursements of the Home Treasury of the Government of India in respect of miscellaneous expenditure in each year since 1867-68, *App.* 696, 697.

Mogul Serai (*East Indian Railway.*) Proposal that a former scheme of the East Indian Railway for a line from Mogul Serai should be revived; explanation that if this line be made it will shorten the distance between Calcutta and Benares by seventy miles, *Crawford* 3691, 3692. 3774-3776. 3914-3918——Calculation showing that an additional traffic of about 340,000 tons, which would be carried by the proposed line from Mogul Serai, would pay the interest upon the cost of construction, *ib.* 3691, 3692. 3717-3719.

Mozufferpore-Hajipore Railway. Documentary evidence submitted by Major Conway-Gordon respecting this line, as proposed by the Government of India, its advantages, estimated cost, &c.; sanction given by the Secretary of State, *App.* 876-879. 919.

Munihara (*Branch*) *Railway.* Particulars supplied by Major Conway-Gordon respecting this project, its advantages, estimated cost, &c.; sanction given by the Secretary of State, *App.* 876-879. 919.

Multra-Hattras Railway. Statement showing for each year the mileage, average age, cost, and general results of working, *App.* 777.

Report, 1884—*continued.*

N.

NAGPUR AND BENGAL RAILWAY (BOMBAY TO CALCUTTA):

1. *Advocacy of this Line; Importance attached to it by the Government of India.*
2. *Exceptions taken to the proposed Line, as not likely to be Productive.*

1. *Advocacy of this Line; Importance attached to it by the Government of India.*

Approval of the Bombay and Nagpur line being completed to Calcutta on the broad gauge; considerable local traffic expected, *Sir J. Caird* 407. 455, 456. 485-487——Explanation that when the Great Indian Peninsula Railway is extended from Nagpur to Calcutta the total distance between Bombay and Calcutta will be shortened by about 200 miles, *Chapman* 862, 863——Belief that the proposed Nagpur line will be a most valuable trunk railway, and will prove to be the postal line between Europe and Calcutta, *ib.* 872.

Importance of the new direct route from Bombay to Calcutta *viâ* Nagpur, being upon the broad gauge, *Coke* 1297. 1300——Value attached to the Nagpur line to Calcutta and the Bhopal line to Cawnpur as the two chief trunk lines to be constructed, *ib.* 1452. 1459.

Immense advantage to Bombay and also to Calcutta of the proposed Nagpur and Bengal line; opinion that this line would not injuriously affect the traffic to Calcutta, *Lord* 2463-2468. 2475——Value of the proposed Nagpur and Bengal line as going through a tract of country south of the East Indian line, *Bythell* 2613.

Statement that it is the deliberate belief of witness that the Calcutta and Nagpur will be a productive line, especially in view of the fact that the small section that has already been made has produced enormous receipts, *Conway-Gordon* 4375——If necessary the construction of the Nagpur line should be undertaken by Government; that is, in the cheapest possible way, and on the broad gauge, *ib.* 4392-4394——Grounds for proposing that the Nagpur line should be made over to private enterprise, *ib.* 4469-4472.

Examination in regard to the difference in cost of transhipment on the Nagpur and on the Rajputana lines; extraordinary variations in the amount of traffic upon these lines in different seasons, *Conway-Gordon* 4650-4693——Grounds for the opinion that the Nagpur line should be on the broad gauge, *ib.* 4712.

Statement as to the negotiations carried on with Messrs. Hoare & Millar with reference to the construction of the Nagpur-Barakur line; postponement of this question by the Secretary of State until the decision of the present Committee, *Conway-Gordon* 5485-5494.

Proposals made by two private firms to undertake the extension of the Nagpur line to Calcutta; determination of the Government in regard to these proposals not yet arrived at, *Waterfield* 6076. 6157-6159.

Great importance of the line from Calcutta to Nagpur, which should be constructed as cheaply as possible, *Danvers* 6891, 6892.

Large commercial advantages which would result from the construction of the line from Calcutta to Nagpur, passing through the Chattisgarh country; estimate that the land revenue would be largely increased by this line, *Hunter* 7144, 7145. 7147. 7149, 7150.

Proposals in letter from the Government of India of 22nd July 1881 for the construction of the line, as one of a series of railways for protection against famine, *App.* 492-495.

Particulars respecting the Barakur-Nagpur project, as advocated by the Government of India; great importance attached to this line, *App.* 527. 879-900. 920.

2. *Exceptions taken to the proposed Line, as not likely to be Productive:*

Disapproval of the construction of a line from Bombay to Calcutta, *Trevor* 1647——Doubtful opinion as to the financial prospects of a line from Nagpur to Calcutta, *Dickens* 3159, 3160.

Grounds for considering that a through line from Calcutta to Bombay *viâ* Nagpur, is not required for the development of the resources of the country; the goods traffic between these two places is next to nothing at the present time, nor is there any indication of there being much in the future, *Crawford* 3664, 3665. 3685-3687. 3759-3769. 3934, 3935. 3967-3969.

Objection to the new scheme *viâ* Nagpur, on the ground that it is an intrusion of the Bombay system into the East India system; it was a principle when the lines were originally

Report, 1884—*continued.*

NAGPUR AND BENGAL RAILWAY (BOMBAY TO CALCUTTA)—continued.

2. *Exceptions taken to the proposed Line, as not likely to be Productive*—continued.

originally allocated, that one Presidency should not meddle with another in regard to railways, *Crawford* 3684. 3919-3926——Opinion that a through line from Calcutta to Bombay would be of no advantage, except for five or six passengers who would travel once a week, *ib.* 3686.

Additional assertion that there is an exaggerated importance attached to the construction of a through route between Calcutta and Bombay; contention that the local traffic between these places is a totally distinct matter from the through traffic, *Crawford* 3910-3913——Conclusion that the Nagpur line to Calcutta would be too expensive, especially as it must cross five immense rivers in its course, *ib.* 3934, 3935.

See also *Barakur-Nagpur Railway.*

Nagpur and Chattisgarh Railway. Adoption by the Government of the Nagpur and Chattisgarh line, which runs into a country where there is a large reserve of grain, *Westland* 4749——Large increase of traffic in both passengers and goods on the Nagpur and Chattisgarh Railway, which is a metre gauge line, *Rendel* 5624. 5707——Statement as to the cost of conversion of the gauge of the Nagpur and Chattisgarh Railway, *Conway-Gordon* 6842.

Revenue accounts for each of the years 1881-82, 1882-83, and 1883-84; *App.* 751-753——Also for each half year from 31st December 1881 to 31st December 1883; *ib.* 762-765.

Statement showing for each year the mileage, average age, cost, and general results of working, *App.* 779.

Statistics of the cost of working under different heads, *App.* 798 *et seq.*

Nalhati (State) Railway. Statement showing for each year the mileage, average age, cost, and general results of working, *App.* 776.

Narrow Gauge. See *Gauge.*

Native Capital. Very limited extent to which local capital is likely to be found for local lines, unless there be the inducement of a sufficient rate of interest, *Strachey* 182-186——It may be said that none of the capital is provided locally, *ib.* 312.

Result of past experience that the required capital for railway extension cannot be obtained from the people of India, or from private sources, so that the State should provide it, *Sir J. Caird* 555-559. 611, 612.

Evidence as to the proper means to be adopted for raising the capital necessary for the proposed railways; belief that there is in India large quantities of money available for the works, *Lord* 2484-2487. 2517-2531. 2546-2550. 2580-2604——Opinion that one-fourth of the total amount required annually could be raised in India; explanation as to the previous reluctance of the natives to invest in Government securities, *ib.* 2484-2487. 2516——Belief that a very small fraction of the capital required for railway construction could be raised in India, *Graham* 2746-2748.

Small amount invested by natives in Government loans where only four per cent. can be obtained; interest received by natives in Calcutta for private loans, at from ten to fifteen per cent., *Hardie* 2837-2839. 2915. 2976-2981. 2988-2996——The native traders very seldom have accounts at the banks, *ib.* 2957——Chief business of the natives with the English banks in borrowing money and selling bills; infrequent instances of natives lending money to the banks, *ib.* 2957, 2958. 3013, 3014.

Belief that the natives cannot be induced to invest their savings in railways as they can do much better elsewhere; instance, however, of a small line from Scrafuli, in the Hugli district, which has been taken up principally by native clerks and engine drivers, *Conway-Gordon* 3585-3592.

Circumstance of the Bengal merchants having proposed to undertake railways, *Westland* 4760-4763.

Special reason for raising the money for famine insurance in India in order that native capital might be attracted, and that the interest of the people should be enlisted in works for their own benefit, *Waterfield* 6047, 6048.

See also *Hathras Railway Loans. Savings Banks. Southern Mahratta Railway Company,* 6.

Native Chiefs. See *Kattywar. Transit Duties.*

Native Industries. Interference with native industries by the introduction of English fabrics into India, *Sir J. Caird* 541, 542.

Opinion that very little Indian capital is absorbed in industrial enterprises of any kind; there is an accumulation of capital in India, but it does not go in these channels, *Bullen-Smith* 2338-2343.

See also *Manufactures.*

Report, 1884—*continued.*

Native Labour. See *Condition of the People. Employment.*

Native Opinion. Exceedingly small interest taken by the natives in the question of the extension of railways; fear upon their part that such an extension would lead to an increased taxation, *Hardie* 2812–2815. 2834–2836. 2934–2938. 2943–2951. 2973–2975 ——Belief that there is no strong feeling on the part of the natives in favour of an extension of railways, *Birkmyre* 3417.

Opinion that although the natives of India dislike our law and our system of land revenue, our roads and railways are decidedly popular with them, *Conway-Gordon* 3562, 3563. 3566. 3623, 3624.

Native Princes. Belief that the native princes who formerly contributed largely to the East India Company's loans are more in debt than able to contribute money; explanation as to the cause of their present insolvent condition, *Westland* 5294–5296.

Native States (Railways). Revenue accounts of the railways in Native States for each of the years 1881–82, 1882–83, and 1883–84, *App.* 751–753——Also for each half-year from 31st December 1881 to 31st December 1883, *ib.* 762–765.

Statement showing for each year the mileage, average age, cost, and general results of working, *App.* 780, 781.

See also *Kattywar. Nizam's Railways.*

Nerbudda Coal and Iron Company. Statement respecting the operations of the Nerbudda Coal and Iron Company; belief that the company did not undertake any obligation to work the iron, *Strachey* 241.

Nizam's Railways. Illustration in the case of the Nizam's railways of the operation of speculators, rather than investors, in taking up stock issued under certain conditions, *Strachey* 85, 86. 1198–1202——Disappointment to the syndicate who took up shares in the Nizam's railways which are still at a considerable discount, *ib.* 255.

Proposal as to the construction of 2,000 miles of railway in the Nizam State, which, if constructed on broad gauge, will require twelve millions, and if on the narrow, nine millions sterling; contention that unless there is some political or military question involved the narrow gauge is the proper one for these lines, *Rendel* 5626. 5991.

Revenue accounts of the railways for each of the years, 1881–82, 1882–83, and 1883–84; *App.* 751–753——Also for each half year from 31st December 1881 to 31st December 1883; *ib.* 762–765.

Statement showing for each year the mileage, average age, cost, and general results of working, *App.* 781.

Statistics of the cost of working under different heads, *App.* 798 *et seq.*

Northern Bengal Railway. See *Bengal Northern Railway.*

Nowgong-Nagode-Sutna Railway. Length and cost of this project, as proposed by the Government of India to be left to private enterprise, *App.* 529.

O.

Opium Duty. Receipt of nearly 10,000,000 *l.* a year from the opium duty, *Sir J. Caird* 657.

Grounds for the statement that the Indian Government is not merely an administrator, but is in some sense a trader; great fluctuation in the opium department which affects materially the revenue of the Government, *Westland* 4776.

Orissa. Great importance attached to a line for the protection of Orissa from the effects of famines which have been most disastrous in that district; suggested extensions so as to provide a line from Calcutta to Madras through the Orissa district, *Sir J. Caird* 403–406.

Almost complete isolation of Orissa during the late famine; protection given to this district by the construction of a tidal canal from the west bank of the Hoogley River *viâ* the Midnapur district, *Hunter* 7189. 7231——Sea communication with Orissa only at certain seasons of the year, during the fair monsoon; communication by canal also established as far as Midnapur, *Bullen-Smith* 2359–2361.

See also *Vizagapatam-Raipur Railway.*

Orissa and Behar Irrigation and Navigation Works. Unsatisfactory results in the case of the Orissa Canal, though not guaranteed; compensation paid to the secretary and other officers of the company, *Strachey* 234–238.

Oudh and Rohilcund Railway. Failure, commercially, of the Oudh and Rohilcund Railway, *Conway-Gordon* 4493–4496——Opinion that the district of Oudh is at the present time fairly served by railways, *ib.* 5397, 5398.

Report, 1884—*continued.*

Oudh and Rohilcund Railway—continued.

Revenue accounts of the Oudh and Rohilcund line for each half-year from 31st December 1881 to 31st December 1883; *App.* 760, 761.

Statement showing for each year the mileage, average age, cost, and general results of working, *App.* 771.

Statistics of the cost of working under different heads, *App.* 798 *et seq.*

P.

Passenger Traffic. Explanation with regard to passenger traffic in India, that a heavy loss is made on the first class, no profit on the second, and all the profit on the third, *Trevor* 1726-1731—— Fifty-nine millions of passengers travelled on the railways in India during the past year, *Bythell* 2654.

Average traffic passing over each mile daily in 1882, distinguishing between passengers and goods, and between broad gauge lines and narrow gauge lines, *App.* 651, 652—— Result that the average passenger traffic is 50 per cent. greater on broad gauge lines than on narrow, *ib.* 652.

Comparison between the East Indian, the Great Indian Peninsula, the Rajputana-Malwa, and the Bombay, Baroda, and Central Indian Railways in 1883, and in other years when the traffics on the other lines approximated to that of the Rajputana-Malwa in 1883; *App.* 653.

Abstract statistics of the cost of working passenger and other coaching traffic, on each railway in each half-year, from 31st December 1880 to 30th June 1883; *App.* 798-803 —— Cost of working coaching traffic, distinguishing between broad gauge and narrow gauge lines, *ib.* 803.

Abstract statistics of the carrying capacity of each line in respect of coaching traffic, for each half-year from 31st December 1880 to 30th June 1883; *App.* 810-815.

See also *Rates and Fares.*

Patna and Gya Railway. Statement showing for each year, the mileage, average age, cost, and general results of working, *App.* 777.

Statistics of the cost of working under different heads, *App.* 798 *et seq.*

Peile, J. B. Minute by him in January 1884, as a member of the Famine Commission, relative to the protective character of certain lines; importance attached to their rapid construction, *App.* 580.

Penukonda District. Statement showing the area, population, and loss of population, during the famine in this district, *App.* 587.

Plate-laying. In former years the whole of the plate-laying was done by Englishmen, whilst it is now done by native workmen, *Chapman* 860, 861.

Poonah-Belgaum Railway. See *Western Decca, &c.*

Poonah College. Information respecting the Engineers' College at Poonah; statement that many of the natives who were trained there are now holding responsible positions as executive engineers, and as contractors, *Cope* 1253. 1407-1409. 1506-1509.

Pooree. See *Benares to Pooree.*

Population. Mileage of railways in proportion to population in the principal countries of the world; fifty times less accommodation (as measured by population) in India than in Australia, *Sir J. Caird* 530.

Examination as to the population and produce of the districts through which the new lines advocated by witness would run; consideration of objections on certain points, *Sir J. Caird* 617-631—— Increased facilities for dealing with famine in localities through which railways pass, though they may cause an increase of population to be protected, *ib.* 696-698.

Belief that there is substantial difference between a protective and a productive line in a populous province; explanation that the several famines occur in the most populous places, *Westland* 4886-4906.

Contention that although railways do not necessarily increase the population of the district through which they pass, they tend to do so; instances of the effects of the introduction of railways upon the population of certain districts, *Hunter* 7160. 7306-7308. 7422-7424.

Sundry details upon the subject of population, &c. in the case of various lines advocated by the Provincial Governments and the Government of India, at an estimated expenditure of 28,262,450 *l.*; *App.* 853 *et seq.*

Report, 1884—*continued.*

Population—continued.

Value of the railways in facilitating immigration from crowded districts into others sparely populated, *Rep.* viii.

See also *Famines, and Famine Lines*

Prices. Effect of railways to equalise prices in regard to localities and to render the variations less from year to year, *Hunter* 7164. 7170.

Reference to certain evidence in favour of railway extension with a view to the development of the internal trade of India and to the equalisation of prices, *Rep.* vii.

See also *Wheat.*

PRIVATE ENTERPRISE:

1. *Considerations generally as to the Question of Railway Extension by means of Private Companies.*
2. *Question of Guarantees in connection with Private Enterprise.*
3. *Official Papers and Correspondence as to the Extent to which Operations should be entrusted to Private Companies.*
4. *Conclusions and Recommendations of the Committee.*

1. *Considerations generally as to the Question of Railway Extension by means of Private Companies:*

Approval of railway construction by private companies, but without guarantee, *Strachey* 20–22. 31——Question considered as to the relative advantages and disadvantages of the action of companies; balance of advantages on the whole, *ib.* 55–75. 92–94. 253–264. 372–374——Approval of private enterprise pure and simple; great improbability, however, of this being sufficient in view of the loss on exchange, *ib.* 1139–1141. 1196.

Expediency of considering the proposals of private companies for the construction of railways conditionally on an efficient and active Government control, *Wood* 2279, 2280. 2286, 2287.

Statement as to the principles which have guided the Government of India respecting the character of the railways to be taken up by themselves, and of those to be constructed by private companies; proposals made by private contractors to make certain lines either with or without State aid, and to carry them on when completed, *Conway-Gordon* 4082–4101. 4116–4119.

Doubtful expediency of giving over to private companies the lines that are likely to pay, while the Government retain only those that are not likely to be remunerative; belief that such a course is apt to discredit Government management, *Conway-Gordon* 4305.

Grounds for considering it expedient that the Nagpur and Seeterampur, and one or two other railways should be made by companies; belief that there are on the other hand considerable advantage in the working of the lines by Government instead of by companies, *Conway-Gordon* 4346–4365. 4371–4394. 4416–4420.

Disapproval on the part of the Secretary of State of a proposal made by the Government of India that the public should be informed as to the extent to which private enterprise would be encouraged, *Conway-Gordon* 4466.

Willingness on the part of the Government to give all facilities, short of financial aid, to private enterprise to construct railways, *Westland* 4757——Proposal by merchants of Bengal to undertake some railways, *ib.* 4760–4763.

Information respecting the lines proposed to be taken up by the Government; indication that private enterprise is not prepared without a guarantee from Government to enter upon railway construction, *Westland* 4845–4854. 4879–4915. 4920–4937.

Land given by the Government to private companies free of charge, in addition to detailed information respecting the districts through which the lines are to be run; actual expenses incurred on the surveys not given free by the Government, *Conway-Gordon* 5495–5498.

Desire of Lord Hartington, when Secretary of State for India, to encourage private enterprise and construction by companies; facilities afforded by the Government with this object, *Waterfield* 6064, 6065. 6071–6084——Numerous schemes put forward by private companies as the result of the agreement made with the Bengal Central Company, *ib.* 6074, 6075.

Suggestions generally as to the best course to be adopted for encouraging private enterprise for the construction of new lines; great importance of a comprehensive railway Act of the Indian legislature, similar to the "Companies Clauses Consolidation Act," *Danvers* 6878. 6880–6882. 6884–6886. 7080–7103.

Considerations as to the probability of private companies coming forward to undertake the construction of the proposed lines; if companies are not found, the Government will not allow the question of railway extension to collapse, *Hunter* 7155. 7317–7323. 7378–7388.

Report, 1884—*continued.*

PRIVATE ENTERPRISE—continued.

2. *Question of Guarantees in connection with Private Enterprise:*

Effect of continuing the guarantee system, that no lines will be undertaken by private enterprise without guarantees; single instance of the latter, *Strachey* 22, 23——Explanation in approval of a suggestion in the Report of the Famine Commission that the advantages of private enterprise may be obtained by means of some substitute for the original form of guarantee, which shall give Government a more reasonable share of the profits, *ib.* 38-54.

Suggestion that the necessary extension may be partly effected through private companies who should provide the capital, receiving a moderate rate of interest and a portion of the receipts, the expenditure being under the control of the Government and the lines being worked by the companies, *Strachey* 1102, 1103. 1109 *et seq.*

Very indifferent success which has attended the plan of raising capital through private companies without the same guarantee as in the case of the older lines, *Sir J. Caird.* 390, 391—— Discouragement of English capitalists from investing in new enterprises, as some existing lines have proved unremunerative whilst the best routes are already taken by other lines, *ib.* 448–450. 543-545.

Grounds for the opinion that if it be decided to extend railways in India, the Government should not incur any risk whatever in the matter; steps which should be taken to induce the public to come forward to make the proposed lines, *Chapman* 744–746. 786–800. 810-820——Anticipation that the time is not far off when private English enterprise will freely undertake Indian railways without State aid in any form, *ib.* 882-886.

Suggestions as to the mode which should be adopted by the Government to induce private companies to take up the construction of branches; impossibility of laying down any hard-and-fast lines in regard to such construction, *Trevor* 1585-1587——Admission that if the Indian Government embarked very largely in the construction of non-remunerative lines it would materially affect the construction of remunerative lines by private companies, *ib.* 1799, 1800.

Grounds for considering it expedient to carry out railway schemes by means of private companies with modified guarantees from the Government; very great difficulty which would arise in organising a staff of engineers if the Government took the construction upon themselves, *Lord* 2480–2483. 2501, 2502. 2537–2543.

Conclusion that private unaided enterprise is not likely in India to do anything in the way of extending the railway system; expediency for the Government to give a permanent guarantee to private companies who undertake the works, *Hardie* 2823-2826. 2831–2833. 2927-2932. 2939-2942——Opinion that railways cannot be extensively carried out in the country without State assistance, *Birkmyre* 3339, 3340.

Statement that as regards the lines left to be undertaken by unassisted private enterprise the Government will merely grant the land free of cost, *Conway-Gordon* 3499–3501——Contention that the whole history of Indian railways is one long unsuccessful attempt to get the lines constructed without a State guarantee, *ib.* 4307-4309.

Further examination as to the reluctance of private companies to undertake the construction of railways in India without State aid; the grounds for this unwillingness are partly the mode in which the accounts are kept and the want of information as to the terms granted by the Government, *Conway-Gordon* 4465-4468. 4580, 4581. 4590, 4591. 4627–4643. 4697.

Further examination as to the practical necessity of a Government guarantee to induce private companies to take up the lines; preference, however, for pure private enterprise and after that the Bengal Central terms, *Conway-Gordon* 5476-5483. 5524-5526. 5534, 5535. 5552–5556. 5584–5596.

Willingness of the Indian Government to permit companies to come and take up any railways they like so long as a guarantee is not required, *Westland* 4871–4873.

Anticipation that the time is not far distant when railways will be made in India without the necessity of a guarantee; belief that many lines might be built without guarantee at the present time if companies were allowed to construct branches, *Ashburner* 6360–6363. 6380–6385.

Opinion that it would not be possible to find companies to continue to make railways on Bengal Central terms, *Robertson* 6560-6563.

Suggestion that the terms of the Bengal Central Railway contract should be given in the case of lines which are likely to pay, *Danvers* 6874. 7082, 7083. 7085-7090—— Belief that a time will come when railway enterprise will be attracted to India from England without the aid and support of Government, *ib.* 6879. 7089.

3. *Official Papers and Correspondence as to the Extent to which Operations should be entrusted to Private Companies:*

Despatch from the Secretary of State, dated 6th January 1881; conclusion thereon that every encouragement should be given to private individuals to undertake the construction of railways, if possible, without guarantee or subsidy, *App.* 488–492.

Report, 1884—*continued.*

PRIVATE ENTERPRISE—continued.

3. *Official Papers and Correspondence as to the Extent, &c.*—continued.

Despatch from the Secretary of State, dated 8th December 1881; conclusion expressed therein that private enterprise is not a suitable agency for unremunerative lines; *App.* 507-509——Representations by the Secretary of State in December 1881 as to the expediency of encouraging private enterprise for certain lines, *ib.* 508.

Letter from the Government of India in January 1883, submitting various proposals and schemes involving construction by means of private agency, *App.* 509-523.

Particulars as to the actual extent and form in which private enterprise is proposed on the part of the Government of India in letter of 23rd January 1883; *App.* 509-523.

List of lines, the capital for which it is proposed by the Government of India in January 1883 should be raised by private companies, under the limited guarantee system, *App.* 527. 570. 576.

Schedule of railways proposed by the Government of India in January 1883 to be left to private enterprise; estimate of cost in each case, *App.* 529-531——Total of 3,497 miles, at an estimated cost of 24,344,000 *l.*, proposed to be carried out by private enterprise, *ib.* 531.

Revised list of lines proposed to be left to private enterprise, the total mileage being 3,432½, and the total estimated cost 24,288,000 *l.*, *App.* 572, 573.

4. *Conclusions and Recommendations of the Committee:*

Policy of the Government of India to leave to private enterprise those lines which are commercially most attractive, *Rep.* v.

Concurrence of evidence as to the expediency of the agency of companies simultaneously with construction by the State, *Rep.* vii.

Reference to the extension scheme of the Government of India as largely dependent on certain lines, to which they attach the greatest importance, being taken up by companies; considerable doubt on this point, *Rep.* ix.

Value of the emulation between *quasi* private enterprise and Government working, as tending to promote economical construction and management, *Rep.* x——Prospect of new railways being, in course of time, carried out by unassisted private enterprise, *ib.* ——Expediency of this probability being kept in view in all contracts made by the State, *ib.*

Three different plans on which companies have lately undertaken railways in India; explanation of the terms under each plan, *Rep.* x——Different circumstances under which these several plans are, in turn, suitable, *ib.* xi.

Conclusion that simplicity of terms is of great importance in inducing companies to make new lines, *Rep.* xi.

See also *Administration and Management. Bengal Central Railway. Bengal and North Western Railway. Capital (Railway Extension). Construction and Working. Expenditure. Extension of Railways. Financial Results of Railways. Gauge. Guarantees, and Guaranteed Railways. Productive Lines. Southern Mahratta Company.*

PRODUCTIVE LINES:

1. *Distinction drawn by the Secretary of State for India between Productive and Protective Lines; Exceptions taken thereto.*
2. *Prospect of New Lines, and of Indian Railways generally, becoming Productive.*
3. *Productive Lines proposed by the Government of India.*
4. *Expediency of the best paying Lines being first undertaken.*
5. *Financial Statistics relative to Productive Lines.*

1. *Distinction drawn by the Secretary of State for India between Productive and Protective Lines; Exceptions taken thereto:*

Sanction given by the Secretary of State to the raising of borrowed money for productive lines, whilst it was prohibited in the case of protective lines; exceptions taken to this distinction, *Strachey* 6-8. 179——Objection on the ground that the distinction in question is based on mere estimates of cost and receipts; tendency to unduly favourable estimates in the case of productive lines, *ib.* 7, 8.

Grounds for the exception taken by witness to the distinction drawn in the Despatch of the Government of India of 23rd January 1883, between productive and protective lines, *Sir J. Caird* 384-386.

Desire on the part of the Indian Government that the restrictions imposed by the Secretary of State as to the expenditure of borrowed money upon railways, unless they produce four per cent. within five years, should be relaxed; grounds for considering relaxation expedient, *Conway-Gordon* 3537-3539. 3593-3607. 3627-3631.

Contention

Report, 1884—*continued.*

PRODUCTIVE LINES—continued.

1. *Distinction drawn by the Secretary of State for India, &c.*—continued.

Contention that if the conditions as to productive railways, as laid down by the Secretary of State, had been in force, the East Indian Railway, which is a most successful financial work, could not have been constructed; belief that such conditions would also have excluded the construction of every other railway in India, *Conway-Gordon* 3538.

Strong desire of the Government of India that the restriction in regard to the definition of productive works should be removed; expediency of permitting Government to borrow money for the construction of works which may not earn as much as four per cent., *Conway-Gordon* 4075, 4076.

Explanation with further reference to the restrictions imposed by the Secretary of State in regard to the character of the lines to be constructed, and the amount of interest to be earned; limits also imposed on the Indian Government as regards the amounts to be borrowed for public works, *Conway-Gordon* 4027, 4028. 4075, 4076. 4202-4231. 4288.

Impossibility of applying a hard-and-fast rule to all railways as to the particular stage at which they become productive, *Conway-Gordon* 4270-4274——Expediency of removing entirely the distinction between protective and productive lines; argument that each line should be dealt with entirely on its merits, *ib.* 5419-5423.

Action taken in 1881 by the Secretary of State to define the works which were to be considered productive; statistics showing the financial results of the productive works so defined, *Waterfield* 6064-6070. 6112.

Despatch from the Secretary of State to the Government of India, dated 6th January 1881, summarising orders already laid down regarding productive works, and approved by the Select Committee of 1878-79; definition of productive works, and of the principles by which expenditure should be regulated, *App.* 487-492.

Rule laid down by the Secretary of State as to the conditions under which any railway should be considered to be a productive work, *Rep.* iv.

Reference by the Committee to the exception taken to the rigid distinction maintained as between productive and protective lines; conclusion that this distinction cannot be maintained, *Rep.* ix.

2. *Prospect of New Lines, and of Indian Railways generally, becoming Productive:*

Good prospect of new lines being remunerative, though some years are necessary for their profitable development, *Strachey* 322-325——Prospect of ultimate remuneration wherever the soil is cultivated and there is much produce as well as passenger traffic to be carried, *Sir J. Caird* 427-430.

Statement as to the lines most necessary to be constructed and most likely to be taken up by private enterprise; opinion that there are not many productive lines which have not already been taken up, *Trevor* 1583, 1584. 1613-1619. 1635-1649. 1800.

Decided opinion that at the present time there is ample scope for the construction of remunerative lines, *Hardie* 2940.

Belief that none of the lines recommended by the Government of India are unlikely to pay if economically managed, *Conway-Gordon* 3638-3640——Differences of opinion on the part of officials with regard to certain lines as to whether they will be productive or not, *ib.* 5369, 5370.

Concentrated efforts of the Government to push on protective lines with the belief that they will be to a large extent productive; technical meaning of "productive" line that it will pay four per cent. within five years after opening, *Westland* 4753-4756——Witness submits that there is no doubt but that nearly every mile of railway in any part of India will pay ultimately, *ib.* 4755, 4756.

Forecast for ten years prepared by witness showing the financial effect of the whole of the proposals; contention that the operations of the first five years are not likely to throw any burdens upon future years, *Westland* 4778. 5004——Statement that the figures prepared by witness represent the question in the most unfavourable light so as to make the estimate perfectly safe, *ib.* 4779-4781. 5008, 5009——Admission that many of the railways charged to capital are not productive in the strict sense of their producing four per cent. within five years; they are, however, productive otherwise than in this restricted sense, *ib.* 5262-5264.

Undoubted belief that railways, if constructed economically, at about 4,500 *l.* a mile on the narrow-gauge, will in future be a source of large revenue to the country, *Rendel* 5660-5661.

3. *Productive Lines proposed by the Government of India:*

Information as to the principles upon which the present proposals of the Indian Government are made, as regards the construction of new lines; stringent rules in force to secure investments in reproductive works producing at least as much as the interest paid

Report, 1884—*continued.*

PRODUCTIVE LINES—continued.

3. *Productive Lines proposed by the Government of India*—continued.

on the amount borrowed, *Conway-Gordon* 3528-3536——Practice of the Government during the past few years to invest largely on railway and other reproductive works, which amply cover the amounts borrowed for other purposes, *ib.* 3532-3536.

List of productive lines, as proposed in letter from Government of India in January 1883, *App.* 524-526.

List of railways proposed by the Government of India in January 1883, to be left entirely to private enterprise, as being productive, or protective and productive, *App.* 529-531.

Documentary evidence and extracts from official correspondence submitted by Major Conway-Gordon respecting various productive lines advocated by the Provincial Governments or the Government of India, the total expenditure being estimated at 28,262,450*l.*, *App.* 853 *et seq.*

4. *Expediency of the best paying Lines being first undertaken:*

Evidence strongly in favour of the construction, in the first instance, of productive line through populous districts, before unproductive lines are undertaken; grounds for concluding that this is the most effectual plan for saving lives in time of famine, *Sir J. Caird* 384-388. 417-430. 503, 504.

Conclusion further expressed that Government should, for some years to come, confine their financial risk to construction in the more populous and productive districts; reluctance of the public to take the risk, *Sir J. Caird* 580-584.

Decided opinion that no line should be constructed which within a reasonable period would not pay four per cent. upon its cost; exception to this rule in regard to strategical and protective lines undertaken by the Government upon their general credit, *Chapman* 797-800.

Great importance that the money to be expended should be laid out on the best paying lines, and that the first to be constructed should be those that were absolutely certain to pay, *Conway-Gordon* 3553. 3558, 3559.

5. *Financial Statistics relative to Productive Lines:*

Statistics showing in aggregate sums the total cost, gross receipts, working expenses, net revenue, &c., *App.* 622.

Amount of debt in each year since 1870 on account of productive public works, *App.* 623.

Abstract statement of expenditure in each year since 1867-68, *App.* 714-718.

Detailed statement showing the interest on debt incurred for productive public works in each year since 1867-68, *App.* 720-721.

Statement of expenditure on productive public works on capital account in each year since 1867-68, *App.* 724-727.

Statement of revenue from productive public works since 1867-68, *App.* 728-733.

Statistics respecting different protective lines, showing the length, total estimated cost, outlay to end of 1882-83, probable outlay in 1883-84, and the balance needed to complete, *App.* 790, 791.

See also *Chattisgarh District. Expenditure (Railways). Extension of Railways. Financial Results of Railways. Gauge. Guaranteed Railways. Guarantees, and Guaranteed Railways. Loans. Private Enterprise. Protective Lines. Wheat.*

Profits from Railways. Statement showing the per-centage on capital outlay of net earnings of different railways five years after their completion; also in 1882, *App.* 694.

See also *Financial Results of Railways.*

Prome-Alanmyo Railway. Particulars respecting this line, as proposed by the Government of India in January 1883, *App.* 524. 533.

Documentary evidence submitted by Major Conway-Gordon showing the views of the Government of India and of the Madras Government in favour of the construction of this line; approval on the part of the Secretary of State, *App.* 910, 911. 920.

PROTECTIVE LINES:

1. *Considerations as to the Expediency of pushing on Protective Lines; Objection to the Limitation laid down by the Secretary of State in the matter.*
2. *View of the Government of India in favour of State Construction being limited to Unproductive Lines.*
3. *Details respecting the Protective Lines proposed by the Government of India.*
4. *Expenditure.*
5. *Conclusions of the Committee.*

1. *Considerations*

Report, 1884—*continued.*

PROTECTIVE LINES—continued.

1. *Considerations as to the Expediency of pushing on Protective Lines; Objection to the Limitation laid down by the Secretary of State in the matter:*

Gradual increase of the repressive action of the Secretary of State in Council; comment more especially upon the additional limitations imposed by the Despatch of Lord Hartington in June 1881, and upon the arbitrary distinction therein drawn between productive and protective lines, *Strachey* 6–8——Effect of the foregoing distinction that it prevented the construction of those lines which, as regards protection against famine, were the most needed, *ib.* 7.

Further opinion that the arbitrary distinction drawn between protective and productive lines should be abolished, *Strachey* 179.

Approval of the construction of the protective lines which have been recommended by the Famine Commission, *Lord* 2477.

Explanation that as far as railways are concerned it is the desire of the Government of India to abolish the existing distinction between protective and productive works; expediency of leaving the selection of non-paying works to the direction of the Government, under the control of the Secretary of State, *Conway-Gordon* 4158–4173. 4261–4267. 4277–4287. 4291——Estimate that the lines proposed will pay from two to three per cent. above their working expenses, besides being useful for protection against famine, *ib.* 4399, 4400.

Statement as to the particular lines which are proposed by the Government as protective against famine; different districts in need of protection, *Westland* 4750, 4751——Grounds for the opinion that at the present time protective lines should be pushed in preference to commercial lines; in past times the Government largely took up those lines which were supposed to be purely productive, *ib.* 4879–4927. 5019–5021.

Decided opinion that the distinction between protective and productive lines is not a clear one; grounds for this view, *Conway-Gordon* 5367–5369. 5419–5423. 5498–5504. 5597–5608. 5614–5619——Belief that the construction of protective lines would have no tendency to induce the natives to rely unduly on the assistance of the Government in time of famine; the tendency, on the contrary, would be to encourage a greater extent of cultivation, *ib.* 5424–5427. 5429–5431. 5557–5559.

Possibility of suggesting lines with better prospects of paying, but which would not protect the districts which require protection; view of the Government in their proposals that protection is to be first considered, *Hunter* 7329–7334.

2. *View of the Government of India in favour of State Construction being limited to Unproductive Lines:*

Letter from the Government of India in January 1883, submitting amongst various definite proposals that the Government should only undertake the construction of lines which from their unprofitable character cannot be made by private agencies, *App.* 509–523.

3. *Details respecting the Protective Lines proposed by the Government of India:*

List of railways submitted by the Government of India in January 1883 as indispensable for protective or other urgent purposes, to be completed or made by the State or other agency on its behalf; estimate of the cost in each case, and of the net revenue, *App.* 524–526. 532, 533.

List of lines proposed by the Government of India in January 1883 to be left entirely to private enterprise, as being productive, or protective and productive, *App.* 529–531.

Revised list of lines indispensable for protective or other urgent purposes, to be completed or made by the State, or other agency on its behalf, *App.* 568–570.

Explanations in detail by Mr. Conway-Gordon in connection with appendices showing the lines already specifically sanctioned by the Secretary of State, the lines either directly or indirectly approved by him, and the lines which have not as yet received either his sanction or approval, *App.* 853–920.

4. *Expenditure:*

Amount of expenditure on protective railways and irrigation works in each year since 1881–82, *App.* 693.

Statistics respective different protective lines, showing the length, total estimated cost, outlay to end of 1882–83, probable outlay in 1883–84, and the balance needed to complete, *App.* 790, 791.

5. *Conclusions of the Committee:*

Summary of the proposals of the Government of India as to the number, extent, and cost of the lines which they consider to be indispensable for protection against famine, or for other urgent purposes, *Rep.* v, vi.

Report, 1884—*continued.*

PROTECTIVE LINES—continued.

5. *Conclusions of the Committee*—continued.

Opinion of the Committee that the technical distinction which has been hitherto made between protective and productive lines cannot be maintained, *Rep.* xi——Disapproval of the entire removal of the check upon the construction of unremunerative lines, *ib.*

Recommendation that railways needed for protection from famine or for the development of the country, be made as required, whether they be technically considered protective or productive, *Rep.* xi.

See also *Bundelkund. Chattisgarh District. Expenditure. Extension of Railways. Famines, and Famine Lines. Financial Condition of India. Gauge. Loans. Military Lines. Orissa. Productive Lines. State Railways.*

PROVINCIAL GOVERNMENTS:

Conclusion as to the necessity of decentralising the construction and management, and of devolving the responsibility generally upon the Provincial Governments; careful consideration necessary in order to mature a scheme for this purpose, *Strachey* 32-37. 90, 91.

Explanation that witness does not approve, at present, of the raising of loans by the Provincial Governments for the construction of railways, though the administration might be placed in their hands, together with the financial responsibility for working the lines, *Strachey* 265, 266.

Advantages of construction and control by the Provincial Governments, *Sir J. Caird* 393-398——Advocacy of administration by the Local Governments, aided by able officers, but without abolishing the Central Public Works Department, *ib.* 393-398. 614-616. 634.

Expediency of giving to Local Governments greater latitude as regards granting guarantees from provincial revenues; argument that if Local Governments had this power they could more successfully resist the frittering away of local funds upon insignificant objects, *Ashburner* 6355. 6372-6379. 6451, 6452. 6493-6518.

Information generally respecting the proposals made by the Government of Bombay that the Local Governments should be given power to pledge the provincial revenues for railways; desirability of extending the present system of local cess by means of which the works would be carried out, *Ashburner* 6493-6518.

Examination respecting the extent to which it would be judicious that a Provincial Government should have power to construct local railways out of their own funds; suggestion as to the method by which this system could be extended, *Westland* 7107-7133——General proviso that Provincial Governments shall meet out of their revenues any deficit in respect of the working returns of the lines, *ib.* 7121, 7122.

Various lines the capital for which is proposed to be raised by the Government of India, the interest to be paid by the Provincial Governments, *App.* 525. 569. 575.

Explanation submitted by Mr. Westland in connection with provincial deficits and surpluses in each year from 1878-79 to 1883-84, *App.* 629.

Documentary evidence, and extracts from official correspondence (submitted by Major Conway-Gordon), respecting various lines advocated by the Provincial Governments and the Government of India, the total expenditure being estimated at 28,262,450 *l.*, *App.* 853 *et seq.*

PUBLIC WORKS DEPARTMENT:

Explanation that in advocating administration and management by each Province, witness does not imply that the Public Works Department at Calcutta should be abolished, *Sir J. Caird* 614-616.

Inexpediency of enlarging to any great extent the Public Works Establishment; necessity in such an event of pensioning off, after a few years, a large number of engineers, *Coke* 1283. 1406. 1425, 1426.

Opinion that there is too much "red tape" in the public works system under the Government, *Glover* 1882——Belief that the system of obstruction by the executive officers is almost general on the State lines, *ib.* 1885-1887—— Instance in which a serious disagreement arose in relation to a defective weighing machine, the cost of the repair of which was charged to witness by the Government; explanation that this friction was caused by the action of an inexperienced engineer, *ib.* 2033-2035. 2107-2110. 2143, 2144.

Policy adopted for many years by the Government of expending large sums annually on the material development of the country, *Conway-Gordon* 3510—— Statement that the Public Works Department has given the benefits of improved communication and all the requirements of modern progress at an annual charge of 3 ¼*d.* per head of the whole vast population, *ib.* 3511, 3512.

Report, 1884—*continued.*

PUBLIC WORKS DEPARTMENT—continued.

Anticipation that very soon the revenue produced from railways and irrigation works will enable the Government of India to carry on the whole Public Works business at an insignificant charge to the taxpayer; net charge to the taxpayer decreasing at the present time, *Conway-Gordon* 3513 —— Explanation that there is now a smaller proportion of annual expenditure upon maintenance and repairs by the Public Works Department, and a larger expenditure upon new works for the material improvement of the country, *ib.* 3514.

Entire absence of any decision on the part of the Government that the expenditure of the Public Works Department should be removed from the control either of the Secretary of State or of that of the Financial Department of the Government of India, *Conway-Gordon* 4139, 4140. 4152.

Desire on the part of Mr. Hope (Public Works Minister) that the same amount of stability should be given to the department of Public Works as is now given to the Local Governments, *Hunter* 7376.

Value of construction and working by companies as not necessarily involving any increase of the staff of the Department, *Rep.* x—— Limitation of State operations according to the strength of the Public Works Department, the permanent staff of which it is not desirable to increase, *ib.*

See also *Administration and Management. Construction and Working. Cost of Construction. Engineers. State Railways.*

PUBLIC WORKS (REVENUE AND EXPENDITURE):

Statement that in the year 1883 there was capital expenditure upon ordinary public works of revenue to the amount of nearly four millions, *Westland* 5048, 5049. 5254–5261 ——Opinion that it is not advisable that the Government should at present retrench its ordinary public works expenditure so as to divert some of it towards productive purposes, *ib.* 5104, 5105——The expenditure upon works and modern improvements amounts to about seven per cent: upon the gross revenue, *ib.* 5259. 5260.

Examination as to the origin and progress of the policy of constructing large public works in India by direct agency of the State by means of borrowed money, *Waterfield* 6030 *et seq.*——Proposal in 1866 that extraordinary works should be separated from ordinary expenditure and not included in the figures upon which the annual surplus is calculated; proceedings consequent thereupon, *ib.* 6030-6045. 6297–6309.

Large scheme proposed by Lord Mayo's Government in 1869 for the extension of public works by loans, amounting to six or eight millions a year for the next ten years; disagreement with this scheme on the part of the Home Government, *Waterfield* 6033, 6034——Comparison of the outlay now proposed on public works with the actual outlay in past years, *ib.* 6087.

Account containing certain details of receipts and expenditure in respect of different classes of public works in each year from 1878-79 to 1882-83; *App.* 542, 543.

Amount of capital outlay in each year on railways and other works of a public character, *App.* 698, 699.

Abstract statement of public works expenditure in each year since 1867-68, *App.* 714, 715.

Statement of expenditure on Productive Public Works on capital account in each year since 1867-68; *App.* 724–727.

Particulars of Public Works revenue in each year from 1867-68; *App.* 728–733.

Abstract of Public Works operations in each year since 1867-68; *App.* 734, 735.

Abstract of revenue or receipts in each year, *App.* 736, 737.

See also *Expenditure (Railways). Financial Results of Railways.*

Publicity. Recommendation by the Committee that all possible publicity be given both in England and in India to the projects which the Government wish to be undertaken by companies, *Rep.* xi.

Recommendation also that the accounts of the financial results of the railways should be kept in such a manner, and so published as to be easily available to and understood by the inevsting public, *Rep.* xi.

Punjab. Statement that there are 9,000,000 acres of land in the Punjab which would probably be brought into cultivation if railways were made; expediency of a large extension being carried out, *Bythell* 2607-2610. 2614. 2704-2710.

Particulars respecting the several lines proposed by the Government of India in January 1883; *App.* 524–526. 529.

See also *Punjab Northern Railway. Umballa to Pattiala.*

Punjab Northern Railway. Statement showing the expenditure and estimated expenditure in respect of the Punjab Northern State Railway since 1879-80; *App.* 723.

Report, 1884—*continued.*

Punjab Northern Railway—continued.

Revenue accounts for each of the years 1881-82, 1882-83, and 1883-84; *App.* 751-753—Administrative transactions for the above years, *ib.* 754. 756. 758.

Statement showing for each year the mileage, average age, cost, and general results of working, *App.* 779.

Statistics of the cost of working under different heads, *App.* 798 *et seq.*

Puranpur-Lucknow Railway. Length and cost of this project, as proposed by the Government of India to be left to private enterprise, *App.* 529.

PURCHASE OF UNDERTAKINGS:

Opinion that Government should be able to acquire the railways at a rate not exceeding the original amount of capital, *Strachey* 22—Expediency of a reasonable power in Government to come in and buy up the lines made by private enterprise, a fair value being given for the property, *ib.* 1192.

Contention that the right of the Government to purchase the railways should be reserved whether they are or are not under a guarantee, *Coke* 1364-1367—Grounds for advocating the eventual purchase of the railways by the State after a term of years; statement that the value of Indian railway property is increasing every year, and that in the future higher prices must be paid for their acquisition, *Trevor* 1588. 1692, 1693. 1748-1758. 1763-1771.

Expediency that in all arrangements with private companies there should be a provision that the Government are eventually to become the owners of the railways; grounds for this opinion, *Bullen-Smith* 2304, 2305. 2311. 2369-2372.

Importance of a purchase clause in the contracts with guaranteed companies which should give the Government power to take over the line on repaying the capital expenditure, *Conway-Gordon* 4310, 4311—Possibility in the case of new lines, where there is a contract with the Government for purchase, that the companies may wilfully default, and so force the Government to take over unpaying concerns; examples of this course in the Orissa Canal Company, *ib.* 4401-4407.

Opinion that in every case of a permanent guarantee there should be a provision for compulsory purchase by the Government at a price not above a certain maximum, *Westland* 4768-4770—Approval of the Government reserving under certain contracts the right to purchase the lines after twenty-five or forty-five years; notice of one year given to the companies in such cases, *Robertson* 6558. 6655—Satisfaction expressed with the terms of purchase in the case of the Bengal Central Company, *ib.* 6558.

Desirability in future contracts that the present terms of purchase by Government should be revised, *Danvers* 6882.

Suggestion by the Committee that in future contracts the option of demanding the repayment of the capital of the company by one year's notice should not be unconditionally given *Rep.* xi.

See also *East Indian Railway.*

Q.

Quetta Railway. Approval of money being borrowed for loans needed for military purposes, such as the line to Quetta, though not likely to be productive, *Strachey* 18.

Recent sanction of a line from Dadur to Quetta, *Westland* 4938—Doubt as to the mode proposed by Government for meeting the estimated expenditure of 2,000,000 *l.* on the Quetta line, *ib.* 5266-5268.

Opinion that the expenditure upon the Quetta Railway is large enough to take the whole of the surplus as provided in the Budget, *Waterfield* 6295.

Grounds for advocating the extension of the Sibi line of railway to Quetta, and eventually to the frontier; that is, on commercial as well as political grounds, *Ashburner* 6336. 6415, 6416—Exceeding importance of such extension in view of the recent advance of Russia in Central Asia, *ib.* 6336—Belief that this line would eventually carry sufficient paying traffic from Afghanistan and from Central Asia, *ib.* 6415-6418.

Reference by the Committee to the decision in 1883 to complete the railway to Quetta, this involving an expenditure of about 2,000,000 *l.* in four years, *Rep.* ix.

R.

Rails and Sleepers. Information respecting the relative cost of rails per mile for the broad and narrow gauge; difficulty which would be experienced in placing a third rail on broad gauge lines because of the special sleepers required, *Glover* 2178–2190.

Increased weight of rails used on the Indian lines at the present time, chiefly on account of the reduced cost; iron rails on the Rajpootana Railway cost 14 *l.* a ton in 1873, whereas steel rails can be now obtained for 5 *l.* a ton, *Rendel* 5626, 5627*. 5686–5688.

Considerable effect which the weight of rails has upon the relative cost of broad and narrow gauge, *Conway-Gordon* 6789-6796. 6810-6814 —— Diminution of one-half in the cost of iron rails during the past three years, *ib.* 6806, 6807.

Concurrence of evidence as to the cheapness of the materials used in construction, and as to the present being a favourable time for more rapid extension, *Rep.* viii.

Railway Cess. Approval, under certain limitations, of power in the localities or the Provincial Governments to levy a railway cess in order to make up the required rate of interest on new lines; that is, in the case of productive districts, *Strachey* 187–196. 272–274 —— Doubt as to the expediency of a system of local railway cess in aid of interest on protective lines, *ib.* 192–196.

Railway Commission. Advocacy of the appointment of a small Railway Commission as a tribunal for the settlement of disputes regarding rates and other matters, *Danvers* 6878. 6917–6922.—*See* also *Rates and Fares*, 2.

Raipur to Vizagapatan. See *Vizagapatam-Raipur Railway.*

RAJPOOTANA-MALWA RAILWAY:

Opinion that the Rajpootana line, between Bombay and Delhi, should be converted to the broad gauge, *Coke* 1295–1296 —— Extraordinary development of the Rajpootana country caused by the making of the railway through it, *Glover* 2074-2077.

Belief that the Rajpootana Malwa line will eventually have to be taken up and relaid on the broad gauge, *Graham* 2738 —— Additional competition to which the Great Indian Peninsula Company will be exposed from the Rajpootana, Bombay, and Baroda line, *Crawford* 3678, 3679.

Important fact that had the Rajpootana line been in the hands of a private company it would have been impossible to stimulate the export trade in wheat which was effected by the reduction of the rates on that line during last year, *Conway-Gordon* 4304 —— Large increase in the weights and size of the engines and wagons on the line since it was first opened, *ib.* 4334.

Construction of the Rajpootana line to Bombay on the narrow gauge universally acknowledged to be a great mistake; opinion that to alter the gauge would be a very expensive matter, *Conway-Gordon* 4423–4425. 4441–4445 —— Information respecting the traffic and the cost of transhipment; *ib.* 4650–4693 —— Success of the Rajpootana line, though this was doubted at first, *ib.* 5540.

Approximation of the traffic on the Rajpootana railway at the present time to that of the East Indian in the year 1872; *Rendel* 5624 —— Opinion that if the Rajpootana line were doubled to the same extent as the East Indian, the traffic might be trebled without the smallest difficulty, *ib.* 5624–5910. 5953–5659.

Large increase required in the weight of the engines on the Rajpootana line; expediency of drafting all the existing engines on to lines where the traffic is limited and replacing them with heavier, *Rendel* 5624. 5876, 5877 —— The third-class carriages on the railway are better than the average third-class carriages, *ib.* 5625.

Results of the working of the goods traffic of the Rajpootana-Malwa Metre Gauge line compared with that of the Bombay and Baroda and other broad gauge lines; disadvantages of the former, *App.* 603–605.

Comparison between the East Indian, the Great Indian Peninsula, the Rajpootana-Malwa, and the Bombay, Baroda, and Central Indian Railways in 1883, and in other years when the traffics on the other lines approximated to that of the Rajpootana-Malwa in 1883; *App.* 653.

Statistics of the cost of working of the Rajpootana line under different heads, *App.* 798. *et seq.*

Revenue accounts for each of the years 1881–82, 1882–83, and 1883–84; *App.* 751–753 —— Administrative transactions for the above years, *ib.* 755. 757. 759.

Revenue accounts for each half year from 31st December 1881 to 31st December 1883; *App.* 762–765.

Report, 1884—*continued*.

RAJPOOTANA-MALWA RAILWAY—continued.

Statement showing for each year the mileage, average age, cost, and general results of working, *App.* 777, 778.

Runaghat-Bhugwangola Railway. Particulars respecting this line, as proposed by the Government of India in letter of 23rd January 1883; *App.* 513, 514.

Documentary evidence submitted by Major Conway-Gordon respecting this railway, as proposed by the Government of India, its advantages, estimated cost, &c.; sanction given by the Secretary of State, *App.* 917-919.

Rangoon and Irrawaddy Valley Railway. Revenue accounts for each of the years 1881-82, 1882-83, and 1883-84; *App.* 751-753—Administrative transactions for the above years, *ib.* 755. 757. 759.

Revenue accounts for each half-year from 31st December 1881 to 31st December 1883; *App.* 762-765.

Statement showing for each year the mileage, average age, cost, and general results of working, *App.* 779.

Statistics of the cost of working, under different heads, *App.* 798 *et seq.*

Rangoon-Tounghoo (Sittang Valley) Railway. Documentary evidence submitted by Major Conway-Gordon respecting this line, as proposed by the Government of India, its advantages, estimated cost, &c.; sanction given by the Secretary of State, *App.* 911-913. 919.

Rapid Construction of Railways. See *Extension of Railways. Famines and Famine Lines.*

RATES AND FARES:

1. *Concurrence of Evidence in favour of Government Revision and Control; Recommendation to this effect by the Committee.*
2. *Suggestion by Mr. Rendel for the Appointment of a Commission for dealing with Questions of Rates and Fares.*
3. *Views of the Government of India as to the powers to be exercised by the Local Governments and by the Companies, respectively.*
4. *Amount of Rates and Fares; great Advantage in these being as low as possible.*

1. *Concurrence of Evidence in favour of Government Revision and Control; Recommendation to this effect by the Committee.*

Expediency of Government control and adjustment of the rates, *Sir J. Caird* 393—Absence of any practical control of the rates by Government where a maximum has already been fixed; degree of restriction desirable, *Strachey* 1152. 1191, 1192.

Advantage of a four per cent. guarantee as enabling Government to prohibit unduly high rates, *Coke* 1379-1389—Examination as to the amount of control which should be exercised by the Government over the guaranteed companies; importance of the Government having power to bind companies to carry grain to famine districts at low rate, *Trevor* 1589-1591. 1661-1664—Strong opinion that the Government should, when giving a guarantee, take power to control the rates, *Lord* 2568-2571.

Examination as to the control which it is advisable that the Government should exercise over rates; strong opinion that the present Committee should recommend that Government should retain the power in any new concession to fix the rates, and not give it up under any circumstances, *Bythell* 2615-2652. 2654-2663. 2666-2703—Expediency of the Government borrowing money for the construction of railways as State undertakings rather than that they should give up the control over the rates, *ib.* 2650—Disapproval of an arrangement by which the Government should only intervene as regards rates after a definite rate of interest had been paid; belief that such an agreement would be impracticable because of disputes as to what constitutes capital, and what revenue, *ib.* 2651-2653. 2655-2656.

Expediency of the Government having complete control over the rates and goods traffic on the guaranteed lines, *Graham* 2741-2744; *Hardie* 2828-2830. 2843-2846—Approval of there being maximum rates in the case of any new railway, and that the Government should have power to vary the rates from time to time, *Dickens* 3319-3324.

Strong opinion that in India the Government should have power to reduce and modify the rates, so that the charges might be just to the railway companies, and at the same time a benefit to the public, *Birkmyre* 3361-3364—Greater accessibility of the Government in regard to the reduction of rates than is the case with private companies, *ib.* 3460, 3461—Contention that in no sense is it a function of the Government so to impose rates that the export trade should be stimulated, *ib.* 3468, 3469.

Explanation

Report, 1884—*continued.*

RATES AND FARES—continued.

1. *Concurrence of Evidence in favour of Government Revision, &c.*—continued.

Explanation in regard to the contract between the East Indian Railway and the Government as to the settlement of the rates and fares; impossibility for the company to reduce the rates without the sanction of the Government, *Crawford* 3782-3791. 3816-3822.

Examination respecting the control exercised by the Government over the rates and fares, and the large increasing traffic which has resulted from reduction of rates and fares on the East Indian and other railways, *Conway-Gordon* 4313-4325. 4357-4368 —— Considerable difference of opinion which existed in 1867 between the Government of India and the Secretary of State with regard to the competency of the former to reduce the rates and fares, *ib.* 4314-4319——Decided opinion that the Government should keep in their own hands some control over the fares of the lowest class of passengers and over the rates for agricultural and mineral produce, *ib.* 4368, 4369.

Further examination with reference to the contract over the rates and tolls; great difficulty in adopting any system by which the Government can, fairly to the companies, maintain a control, *Conway-Gordon* 4408-4415. 4419, 4420. 4453-4460. 4504-4546. 4616-4619 ——Expediency of not having the maxima rates fixed by the Government at an absolute amount; suggestion that they should not exceed 10 per cent, in excess of the rates in force on the East Indian Railway, *ib.* 4507-4515.

Suggestion as to the control which the Government should exercise in regard to the rates for traffic both for passengers and goods, *Robertson* 6559.

Opinion of the Committee that the Government should retain in their hands a power of fixing or from time to time varying the maximum of fares and rates, subject to adequate provisions for securing the interests of investors, *Rep.* xi.

2. *Suggestion by Mr. Rendel for the Appointment of a Commission for Dealing with Questions of Rates and Fares:*

Great difficulty with regard to the question of rates and fares; suggestion that a commission of three person, one representing the public and one the companies, whilst the third might be a judge, should be appointed to settle all questions as to the rates and fares, *Rendel* 5644-5651. 5823-5828. 5864-5866. 5928-5936. 5974. 6003, 6004 —— Grounds for objecting to the rates being settled by Goverment, *ib.* 5646——Belief that the appointment of the proposed commission would not discourage investors, *ib.* 5647.

3. *Views of the Government of India as to the Powers to be exercised by the Local Governments and by the Companies, respectively:*

Resolution of the Government of India, dated 6th October 1868, together with observations and explanations on the subject of rates and fares, *App.* 792-794——Conclusion that the maxima of rates and fares should be fixed by the local governments, that the actual charges within such maxima shall be regulated by the railway companies, and that the maxima shall leave a reasonable margin for the exercise of a discretion by the companies in varying the working rates, *ib.* 794.

4. *Amount of Rates and Fares; great Advantage in these being as Low as possible:*

Higher rates for carriage of wheat charged by the Indian railways than is charged in America, *Bythell* 2625 ——Argument that the reduction of railway rates would lead to material increase of traffic, *ib.* 2621-2630. 2626. 2685-2687.

Great importance that the rates charged on Indian railways should be kept at a low figure, *Hardie* 2828-2830. 2843-2846; *Birkmyre* 3399. 3408-3410. 3460, 3461. 3468, 3469. 3488-3494——Statement that in India reduction of railway rates always means increased dividends; examples in support of this conclusion, *Birkmyre* 3436-3438.

Complaint of the natives that the third-class fares are not sufficiently reduced to touch the poorest class; conclusion that these fares might be advantageously reduced still further, *Conway-Gordon* 3563-3569. 3655, 3656.

The first-class fares pay little or nothing in proportion to the rest of the traffic, *Crawford* 3792——Probability that if the third-class fares were reduced still further than they are at present it would entail large expenditure upon rolling stock on account of the increased numbers that would use the lines, *ib.* 3793-3796. 3819-3822. 3850. 3856.

Strong objection made by Lord Mayo to the maximum fare being maintained for third-class passengers, *Conway-Gordon* 4317——Details respecting the reduction of rates and fares on the Oudh and Rohilcund, East Indian, and Indus Valley lines, and the great increase of traffic and revenue consequent thereon, *ib.* 4322-4325——Statement that there is no indication whatever that the reduction in the rates has reduced the net earnings in the aggregate of the railways in general, *ib.* 4325.

Strong opinion that nothing can benefit Indian railways so much as a reduction of rates, *Rendel* 5649-5651. 5805-5822 —— Statement that the average rate charged in

Report, 1884—*continued.*

RATES AND FARES—continued.

4. *Amount of Rates and Fares; great Advantage, &c.*—continued.

India for passengers and goods is intended to include all the working expenses; the rates for goods are simply the whole of the goods receipts of the railway divided by the whole of the goods ton mileage, *Rendel* 5842-5847.

Conclusion that in the interest of the public, and of the railway companies themselves, the rates should be reduced; successful competition of the cart traffic with some of the railways on account of the rates being so high, *Ashburner* 6345-6347. 6386-6396.

Desirability of reducing the rates and fares to as low a point as is compatible with fair profits; suggestion that the rates should be regulated by legislative enactment, as is done in this country, *Danvers* 6889-6891. 6923-6929. 6993-7003.

Statement showing present and past rates per maund for grain carried to Bombay by the Great Indian Peninsula Railway, and the per-centage of increase on the rates in January 1884 as compared with January 1881; *App.* 593.

Table showing the maxima fares and rates sanctioned for each of the guaranteed railways, *App.* 795.

See also *Competition. East Indian Railway. Financial Results of Railways. Great Indian Peninsula Railway.*

Rawul Pindi-Murree Railway (*Punjab*). Length and cost of this project, as proposed by the Government of India to be left to private enterprise, *App.* 529.

Remittances. Very great and serious difficulty at times in the sale of bills by the Secretary State, the remittances from India being directly affected by the produce coming forward, *Strachey* 197-212——Increased remittances of English capital; effect, on the other hand, of increased exports from India in causing increased remittances to India, *ib.* 1210-1212.

Examination as to the amounts of Government remittances to England since the year 1868-69; if the Government are to borrow in England the present proposals will add to the amount of the annual remittances, *Westland* 5193-5219——Principal part of the remittance to England made by means of sterling paid to the Secretary of State in respect of demands issued by him upon the Indian Treasuries; the foundation of these remittances is the produce exported from India, *ib.* 5205, 5206.

Possibility of meeting the demand for remittances to England by reducing the imports; large cotton industry springing up in India which, to some extent, will take the place of the present import of piece goods, and will affect the remittances, *Westland* 5207, 5208. 5351.

Large increase in the amount of remittances to England since the year 1868-69; decided opinion that those remittances tend to prevent the rupee rising in value, *Waterfield* 6099-6104. 6201-6203. 6240——Great importance of reducing as much as possible the amount of remittances from India to this country, which at present is as much as India can bear, *ib.* 6202-6204.

Memorandum submitted by Mr. Wood in connection with Tables showing the advantages of taking up Indian loans in England instead of in India; that is, as regards remittances, *App.* 691, 692.

Statement of the amount represented by remittances by the Home Treasury of the Indian Government in each year since 1867-68, *App.* 696, 697.

Absence of loss in remitting the dividends to England unless the value of the rupee should fall yet further, *Rep.* ix.

See also *Exchange, Loss by. Loans.*

Rendel, Alexander Meadows. (Analysis of his Evidence.)—Is Consulting Engineer to the East Indian Railway Company, and has had large experience in the construction and working of railways in India; as consulting engineer is responsible for all the work and material which goes out from this country, 5621.

Statistics as to the cost of working the East Indian Railway, showing the remarkably low rate at which both passengers and goods are carried; general admission that there is no railway in the world which is worked at so low a cost as the East Indian, 5621-5623. 5718-5720——Introduction into India by witness, in conjunction with General Strachey and Mr. Danvers, of a new system of statistics similar to those in use in America; belief that the non-adoption of this system in England is the cause of a very great loss in the working of railways, 5621. 5749-5770.

Large amount of extraordinary work being carried out on the East Indian Railway at the present time at the expense of revenue, 5621——Assertion that the traffic on this railway is as large as that on the London and North Western line, and is carried at one-half the charge and one-third the cost, 5621-5623.

Large power possessed by the East Indian Company of still further reducing the rates, if it should be necessary, 5621——Two-thirds of the line are single, and one-third double, 5622. 5625.

Statement

Report, 1884—*continued.*

Rendel, Alexander Meadows. (Analysis of his Evidence)—*continued.*

Statement that although one or two of the metre gauge lines carry heavier passenger loads than the East Indian, they do not carry so much goods on the whole, 5623—— Closeness with which the Bombay and Baroda line follows upon the East Indian in regard to the amount of traffic carried, *ib.*

Information generally respecting the origin, advantages, and extension of the metre gauge system in India; grounds for the conclusion that all railways remaining to be made, with some exceptions, should be constructed on this gauge, 5624, 5625. 5710-5717. 5788-5792. 5851-5854. 5873-5875. 5889-5893. 6011, 6012——Original promotion of the narrow gauge in India by an engineer in the service of the East Indian Railway Company, named Wilson; construction by him of a narrow gauge line from Nulhatti to Azimgunge at a cost of about 4,000 *l.* a mile, 5624.

Committee appointed in 1870 to decide as to the actual narrow gauge to be adopted permanently; decision in favour of the metre gauge, 5624——Belief that there will in India be no traffic that cannot be carried upon a narrow gauge line, *ib.*——Statement that as regards expensive lines the difference in cost of construction between the narrow and the broad gauge is exceedingly trifling, and need not be considered; marked difference in cost as regards the low-priced lines, *ib.*

Estimate that the cost of construction in the future of broad gauge lines will be about 6,000 *l.*, and of metre gauge about 4,500 *l.* a mile, 5624. 5675-5688. 5938-5948——Proposal as to the construction of 2,000 miles of railway in the Nizam State, which, if constructed on broad gauge, will require twelve, and if on the narrow, nine millions sterling; contention that unless there is some political or military question involved the narrow gauge is the proper gauge for these lines, 5624. 5991.

Explanation that the traffic of the East Indian Railway, both in passengers and in goods, is about twice as much as that of any other Indian line, 5624——Approximation of the traffic on the Rajpootana Railway at the present time, to that of the East Indian in the year 1872; *ib.*——Opinion that if the Rajpootana line were to be doubled to the same extent as the East Indian, the traffic might be trebled without the smallest difficulty, 5624. 5910. 5953-5959.

Statistics showing that the cost of working the broad gauge is considerably greater than in the case of the narrow gauge; cost of working any railway largely affected by the quantity of traffic, 5624, 5625. 5689-5692. 5878-5883. 5949-5952. 6024-6023—— Large increase of traffic in both passengers and goods on the Nagpur and Chattisgarh Railway, which is a metre gauge line, 5624. 5707.

Undoubted effect of increased traffic on metre gauge lines that the cost of carrying will decrease, 5624——Conclusion that of all the circumstances affecting the cost of working a railway, gauge is the least important; contention that quantity of traffic, gradients, cost of coal and labour, and management, are far more important items, 5624. 5691, 5692.

Large increase required in the weight of the engines on the Rajpootana line; importance of drafting all the existing engines on to lines where the traffic is limited, and replacing them with heavier, 5624. 5876, 5877——The third-class carriages on the Rajpootana Railway are better than the average English third-class carriages, 5625.

Increased weight of rails used on the Indian lines at the present time, chiefly on account of the reduced cost; iron rails on the Rajpootana cost 14 *l.* a ton in 1873, whereas steel rails can be now obtained for 5 *l.* a ton, 5626, 5627.* 5686-5688——Statement that the metre gauge has developed railway traffic in India to a degree that at starting was never anticipated, 5628.

Examination with reference to the expense and inconvenience of break of gauge; grounds for the opinion that there is no evil in the break of gauge beyond the mere cost of transfer, 5629-5636. 5708, 5709. 5796-5804. 5884-5886. 5895-5897. 6016-6019. 6027, 6028——Contention that the amount of break of gauge in England is far greater in proportion than it is in India, 5629-5633——Explanation that on the Rajpootana Railway the cost of break of gauge is about equivalent to the cost of constructing and working ten miles of railway, 5634-5636.

Information as to the form of agency which is best to be adopted for making new railways in India; opinion that it is inexpedient that the Government should either make or work the lines, 5637-5643. 5828-5840. 5855-5859——Strong feeling that it is essential for the future of Indian Railways that the freehold of them should be in the hands of the Government; the companies should construct the lines simply as contractors for the Government, 5639-5643. 5693-5696.

Statement that in India what is required for the construction of railways is an investing and not a speculating class, 5640——Approval of the South Mahratta contract as the type for future railway contracts, 5641-5643. 5999-6002.

Great difficulty in regard to the question of rates and fares; suggestion that a Commission of three persons, one representing the public, and one the Companies, whilst the third might be a judge, should be appointed to settle all questions as to rates and fares,

Report, 1884—*continued.*

Rendel, Alexander Meadows. (Analysis of his Evidence)—*continued.*

5644-5651. 5823-5828. 5864-5866. 5928-5936. 5974. 6003, 6004——Belief that the appointment of such a commission would not discourage investors, 5647——Strong opinion that nothing can benefit Indian railways so much as a reduction of rates, 5649-5651. 5805-5822.

Grounds for deprecating a sudden and rapid extension of railroads in India; belief that a sudden expansion will lead to a very considerable waste of money, 5652-5657. 5670-5673. 5887, 5888——Great importance of employing only competent and experienced men as engineers; calculation that the difference between an experienced and an inexperienced engineer is as much as 1,000 *l.* a mile on railways which cost 6,000 *l.* a mile for construction, 5652-5657. 5666-5671. 5721-5725. 5841. 5860-5863. 5991-5993.

Opinion that there is no country in the world which requires railways more that India; expediency of constructing 50,000 or 60,000 miles gradually and carefully, 5658, 5659. 5722. 5848-5850. 5991-5998. 6020-6023—— Undoubted belief that railways, if constructed economically, at about 4,500 *l.* a mile on the narrow gauge, will, in the future, be a source of large revenue to the country, 5660, 5661.

Extensive districts where the culture of grain would be very much stimulated and increased by the construction of railroads; vast portions of the country that are not within reasonable distance of any line at the present time, 5662-5665. 5975-5989—— Greater importance of creating local traffic than of considering export traffic with communications to the sea, 5662-5665. 5975-5990.

Considerable difficulty which would be experienced in obtaining competent engineers in the event of any increase in the proposed amount of railway construction, 5668-5674 ——Greater facility of reducing the weight of the engines on the narrow than on the broad gauge lines, 5687.

Statement with regard to the financing of railways that every attempt to raise money in India has been a failure, 5698——Example in the case of the South Mahratta, where 500,000 *l.* was reserved for Indian subscription, and only 10,000 *l.* was obtained, *ib.*—— Absence of any greater advantage in a direct Calcutta and Bombay railway than there would be in opening out any other district; entire absence of through traffic other than first-class passengers going by the English mail, 5699-5705.

Extraordinary absence of demands for compensation upon the Indian railways, when compared with similar demands in England; explanation of this freedom from accident, 5709. 5726-5748. 5927——Opinion that there is no necessity for a line half broad and half narrow gauge between Calcutta and Bombay; belief that the cost of making such a change would be something like a million sterling, 5710-5713.

Proposal at the present time that on the East Indian line the American bogey waggon shall be substituted for the ordinary waggon, with the object of reducing the dead weight on the broad gauge, 5715, 5716——Important consideration that if railways are to be extended, the cost of working as well as the cost of construction must be cheap, 5718-5720.

Explanation as to the origin of the system of statistics adopted by the East Indian company, 5749——Grounds for believing that the introduction of a similar system of statistics as to the working of railways in England would lead to much greater economy; utter waste of power in England on account of running far more trains than the traffic requires, 5750-5754.

Wasteful competition which is carried on in England, which managers attempt to meet by providing increased facilities rather than by lowering the rates; belief that if the public had the choice they would prefer the reduction of rates, 5755. 5867-5871—— Entire absence in India of railway competition in the English sense, 5760-5762.—— Comparison as to the cost of conveyance of both passengers and goods on the Indian and the English railways; argument that the Indian cost is so much lower on account of the smaller waste of power, 5763-5786.

Prosperous condition of the Indian railways generally; assertion that if taken together they are paying more than the interest of the money raised to carry them out, 5793-5795——Conclusion that the guarantee given by the Government in the case of the proposed new lines should be limited to that rate which will be sufficient to raise the money required, 5830-5838. 5872.

Statement that the average rate charged in India for passengers and goods is intended to include all the working expenses; the rates for goods are simply the whole of the goods receipts of the railway divided by the whole of the goods ton mileage, 5842-5847 ——Opinion that the disadvantages of a mixed gauge do not outweigh the comparative cheapness of the metre gauge, 5889. 5892.

Expediency that in all future extensions of railways uniform gauge should be aimed at; that is, the narrow gauge, 5898—— Contention that large districts may be covered with narrow gauge lines, which districts would never be served if broad gauge were insisted upon,

Report, 1884—*continued.*

Rendel, Alexander Meadows. (Analysis of his Evidence)—*continued.*

upon, 5898——Grounds for the belief that the metre gauge is entirely sufficient to carry any traffic that is likely to be brought upon it, 5899-5908.

Explanation that on all railways the cost of repairs pays for itself, the repairs being in proportion to the traffic carried, 5911-5917——Unimportance of a high rate of speed upon Indian lines; twenty-five miles an hour for third-class passengers is quite fast enough, 5918-5921——Conclusion that the whole secret of the low working cost in India is due to utilising the trains to a greater degree than is the case in England, 5922-5926——Statement that the directors of the Indian Railway Companies are, as a rule, nominated by the other directors, the nomination being subsequently confirmed by the shareholders, 5964-5971——Opinion that a board of directors in India as well as in England would be a mistake, 5973.

Belief that railway materials, including rolling stock, were never so cheap as at the present time, 6005-6010——Bad character of the Wardha coal; opinion that as far as this coal is concerned the Hyderabad Railway is not very much needed, 6013-6015.

Repayment of Capital. See *Purchase of Undertakings.*

Reproductive Works. See *Productive Lines.*

Responsibility (*Railway Extension*). Exception taken to the restraint imposed by the Secretary of State upon the Government of India; approval of the responsibility of acting upon general recommendations being thrown upon them jointly, *Strachey* 6-8. 356-362.

Expediency of responsibility in the matter resting with the Government of India and the Secretary of State, without pressure from external authorities; prospect of concession on the part of the India Office in the direction of the requirements of the Government of India, *Strachey* 28-30——Approval of the ultimate authority still resting with the Secretary of State as regards questions of railwayay extension, purchase, &c., *ib.* 1193.

Disapproval that the power to limit the expenditure upon public works should be mainly in the hands of the Secretary of State in Council; it is impossible for an authority so far away from India to be certain of what is going on in that country, *Conway-Gordon* 3628-3631.

See also *Extension of Railways. Expenditure. Loans. Productive Lines. Protective Lines.*

Revenue and Expenditure (*Generally*). See *Financial Condition of India Loans.*

Revenue and Expenditure (*Railways*). See *Expenditure* (*Railways*). *Financial Condition of India. Financial Results of Railways. Guaranteed Railways. Loans. State Railways.*

Rewari-Hissar-Ferozpur Railway. Reference to the Rewari and Hissar line as one of the first constructed as a protection against famine; its value for this purpose, *Westland* 4751.

Case of the Rewari-Ferozpur line, for which there was much difficulty in obtaining the sanction of the Secretary of State as a protective line, whilst it has since become remarkably productive, *Conway-Gordon* 5367.

Proposals in letter from the Government of India of 22nd July 1881, for the construction of the Rewari-Ferozpur line, as one of a series of railways for protection against famine, *App.* 492-495.

Progress being made with the line, as in January 1883, *App.* 524.

Documentary evidence submitted by Major Conway-Gordon respecting the line to Ferozpur, as proposed by the Government of India, its advantages, estimated cost, &c.; sanction given by the Secretary of State, *App.* 854-859. 919.

Rice. Enormous increase which would take place on the export of rice if the Burmah Railway were made, and if the Government duty were removed; promise made ten years ago by the Secretary of State that this duty should be removed whenever the financial position of India would allow of it, *Coke* 1421. 1448, 1449. 1526. 1557.

Question before the Government for some time with reference to a reduction of the export duties upon rice in Burmah, which is postponed until the railway policy has been carried out, *Westland* 5120-5134——Argument that although the export duty on rice is for the benefit of the whole of India, yet the natives of Bengal and Bombay get the entire benefit of the trade, *ib.* 5322-5330.

Conclusion that if the annual expenditure upon railways be increased by a million, it will not be possible to reduce the export duty on rice, *Westland* 5354——Possibility that the increase of revenue from the railways in the future will enable the Government to remit the duty on rice, *ib.* 5354, 5355.

Roads. Great deficiency of metal for making roads in the Lower Provinces of India; advantage in these districts of having short lines of railways upon the embankments which are prepared for the roads, *Conway-Gordon* 5438, 5439—— Less cost of a railway than of a road in some districts, *Ashburner* 6519.

Report, 1884—*continued.*

Robertson, D. T. (Analysis of his Evidence.)—Long and intimate experience of witness in regard to the Government loan operations in India, he having been in charge of one of the Exchange Banks since 1860; he is also a director of the Bengal Central and of the Rohilkund and Kumaon Railway Companies, 6545-6547. 6551, 6552.

Information generally with reference to the Government Rupee Loans; statement also as regards the capacity of the Indian and of the English markets to absorb the capital required, 6548-6550. 6570-6582. 6602-6608. 6647-6651. 6656-6661. 6687-6691——Decision of the Government in 1858, on the recommendation of the merchants and bankers of Calcutta, that interest on rupee paper would be made payable at the Bank of England by draughts on Calcutta, 6650.

Prosperous state of India indicated by the growing importation of gold, which has largely increased since the year 1877; 6550——Strong opinion that the consolidation of the fourteen existing Rupee Loans into one or two loans would greatly tend to make them popular, both in England and in India, 6550. 6687-6691.

Contention that the contract entered into with the South Mahratta Company is disadvantageous, chiefly for the reason that the stock is at a discount; until the Government came to the rescue and authorised the issue of debentures, the stock was unsaleable at par, 6553-6558. 6583-6590. 6652-6654. 6672-6686. 6692-6711. 6714-6716.

Consideration of the methods most suitable for bringing forward new railways in India; expediency of the Government making the terms acceptable with the public by giving either a complete or partial guarantee, 6558. 6560-6563. 6591-6597. 6609-6646——Approval of the Government reserving under certain contracts the right of purchasing the lines after twenty-five or forty-five years; notice of one year given to the companies in these circumstances, 6558. 6655.

Suggestion as to the control which the Government should exercise in regard to the rates for traffic both for passengers and goods, 6559——Opinion that it would not be possible to find companies to continue to make railways on Bengal Central terms, 6560-6563.

Statement that it is impossible to forecast the future of the silver market, as there are so many circumstances which affect it, 6564-6569——Argument that as regards the South Mahratta contract, the terms should be advantageous to both parties; contention that it will be impossible to repeat the terms made with that Company, 6583-6587. 6652-6654. 6664, 6665.

Advantage of management through a company, on account of Government being saved the cost of increasing the establishments, paying for pensions, and such other charges, 6598-6601——Belief that loans in silver, upon which interest was payable in Calcutta, would not be taken up in India beyond the extent of about a million-and-a-quarter a year, 6607, 6608. 6658.

Expediency of giving companies, which are formed with a Government guarantee, the entire control over the management of their own lines, 6636-6641——Belief that it would be impossible to control the companies in regard to where they should borrow; conclusion that they would borrow in the cheapest market, which would be this country, 6647-6651.

Conclusion that if there is to be any considerable extension of the railway system in India it will be necessary to borrow largely in England, either through companies or in connection with the Government, 6656-6660——Desirability that the Government should, in the present uncertain state of the silver market, restrict its liability in respect of sterling loans in this country as much as possible, 6661.

Stimulus to the Indian export trade caused by the low rate of exchange throwing cheap money into the country; large extent to which the extension of railways has also assisted to develop the export trade, 6662-6671——Belief that the development of the wheat trade would not have been so extensive had it not been for the low exchange, 6666——Opinion that a fall in the present rate of exchange would not have any very beneficial effect in India, 6668-6671.

Rolling Stock. See *Engines and Rolling Stock. Gauge. Working Expenses.*

Running Powers. Absence in India of any running powers, or facilities in return, as affecting particular traffic, *Crawford* 3872-3876.

Rupee Loans. See *Exchange, Loss by. Loans. Silver.*

Russia. Impression as regards the great extension of railways in Russia in comparison with India, that such extension is largely for military purposes and has had a very injurious effect upon Russian finance, *Strachey* 159-161.——*See* also *Quetta Railway.*

Rutlam-Godra Railway (Central India.) Length and cost of this project, as proposed by the Government of India to be left to private enterprise, *App.* 530.

Ryots. Concurrence of evidence as to the very beneficial operation of railways with respect to the condition of the natives of India, *Rep.* vii, viii.

See also *Condition of the People. Cultivation of the Soil.*

S

Saharunpur-Roorkee-Moradabad Railway. Particulars respecting this line, as proposed by the Government of India in letter of 23rd January 1883; *App.* 513——Progress being made with the line, as in January 1883; *ib.* 526.

Salaries. Lower salaries paid to the Government servants than to those of the companies; willingness, however, of unemployed companies' servants to come to the Government at a lower rate, on account of the greater certainty of employment, *Conway-Gordon* 4738-4742.

Savings Banks. Large amounts deposited by the people in the Savings Banks, especially in Bombay, where the deposits are growing at the rate of ten lacs a year; post office savings banks lately instituted, which have been successful in attracting the savings of the agricultural class, *Westland* 4795-4799. 4843, 4844.

Scinde, Punjaub, and Delhi Railway. See *Sind, Punjab, and Delhi Railway.*

Seccombe, Sir Thomas Lawrence, K.C.S.I., C.B. Evidence of Sir Thomas Seccombe before the Select Committee on East India (Public Works) in 1879; *App.* 654-690.

Importance attached by the Committee to the evidence of Sir Thomas Seccombe in 1879 upon the question of diverting any portion of the famine insurance provision as a means of obtaining capital for railway extension, *Rep.* ix.

Secretary of State in Council (India Office).——See *the Headings generally throughout the Index.*

Seeds. Statement of the exports of seeds (Indian produce) from India to different foreign countries in each year from 1871-72 to 1882-83; *App.* 768.

Seetarampur. See *Bilaspur-Etawa Railway.*

Select Committtee of 1878-79. Entire reversal by the proposals of the Government of India of the productive works policy laid down by the Committee of 1878-79; *Westland* 5135-5138.

Summary of the conclusions and recommendations of the Select Committee of 1878-79; proposal by the Committee that the expenditure on productive public works should for the present be limited to 2,500,000 *l.* a year, *Rep.* iii.

Self-Supporting Lines. Decided opinion of the Committee that the bulk of the new lines to be made should be self-supporting, *Rep.* xi.

See also *Financial Results of Railways. Productive Lines.*

Shoranoor-Cochin Railway (Madras). Length and cost of this project, as proposed by the Government of India to be left to private enterprise, *App.* 531.

Silver, Value of. Statement that during the past few years India has been receiving silver very cheaply, and for that reason there must have been in some form or other a great gain to the country, *Bullen-Smith* 2457-2459.

Consideration of the effect of the suspension of the Bland Bill; tendency hereof to cause a fall in the value of silver, *Hardie* 2798-2800. 2911-2914. 2921. 2997-2999——Opinion that India has benefited very much by the fall in the value of silver, and that the Anglo-Indians upon salaries, and with savings in India, are the only individuals who have suffered, *ib.* 2820-2822. 2852-2853. 2970-2973.

Causes which have led of late years to the depreciation of silver; considerable diminution in the export of silver from America within the past few years, *Waterfield* 6100 6101. 6176-6178. 6254-6259——Grounds for the opinion that it is unwise for the Government to speculate in regard to the chance of the value of the rupee taking an upward direction; conclusion that there is greater risk in calculating the future value of silver when paying interest on sterling loans than there is in paying a high rate down, *ib.* 6231-6239. 6260-6263.

Statement that it is impossible to forecast the future of the silver market, as there are so many circumstances which affect it, *Robertson* 6564-6569.

See also *Exchange, Loss by. Loans.*

Sind, Punjab, and Delhi Railway. Costliness of the Sind, Punjab, and Delhi line, though it is very useful for famine protection, *Sir J. Caird* 443——Extension of the railway by means of debentures, because of the refusal of the Government to sanction the construction from guaranteed funds, *Trevor* 1571-1574.

Report, 1884—*continued.*

Sind, Punjab, and Delhi Railway—continued,

Revenue accounts for each half-year from 31st December 1881 to 31st December 1883; *App.* 760, 761.

Statement showing for each year the mileage, average age, cost, and general results of working, *App.* 771, 772.

Statistics of the cost of working under different heads, *App.* 798 *et seq.*

Sindia Railway. Statement showing for each year the mileage, average age, cost and general results of working, *App.* 779.

Sleepers. See *Rails and Sleepers.*

Sonepur-Hajipur Railway. Documentary evidence submitted by Major Conway-Gordon respecting this line, as proposed by the Government of India, its advantages, estimated cost, &c.; sanction given by the Secretary of State, *App.* 876-879. 919.

South Indian Railway. Revenue accounts for each half-year from 31st December 1881 to 31st December 1883; *App.* 760, 761.

Statement showing for each year the mileage, average age, cost, and general results of working, *App.* 773.

Statistics of the cost of working under different heads, *App.* 798 *et seq.*

SOUTH MAHRATTA COMPANY:

1. *Information relative to the Government Arrangement with the Company; its Advantages.*
2. *Approval of a similar Arrangement with other Companies.*
3. *Protective Character of the Line, which is on the Narrow Gauge, and will soon be opened.*
4. *Views of the Government of India in Approval of the Line.*
5. *Exchange in connection with Capital Transactions.*
6. *Very small Local Capital subscribed.*

1. *Information relative to the Government Arrangement with the Company; its Advantages:*

Particulars of the arrangement with the Southern Mahratta Railway Company, the latter finding the capital (3,000,000 *l.*), and constructing and working the lines, whilst Government pay them 4 per cent. for the first four years, and 3½ per cent. afterwards, until they apply to have the capital repaid; other conditions included, *Strachey* 38-54——Inducement to the Company to construct the line as cheaply as possible, as they receive only a fixed amount as interest or guarantee, *ib.* 41. 58. 73. 78.

Further explanatory statement relative to the arrangement with the South Mahratta Company, who receive their interest in rupees in India, at the equivalent of 3½ per cent. sterling in London, and have to make their remittances home; respects in which this system is advantageous, irrespectively of the question of the rate of exchange, *Strachey* 76-80. 199-223——Reference to the terms made with the Company as being a little too hard on the part of Government, *ib.* 76-80. 82.

Modification of the terms of the South Mahratta contract, in order to induce the Company to carry out a certain extension of the original scheme, *Strachey* 245, 246——Further approval of the principle in the case of the Company, whereby the Government is the owner of the line, and regulates the rates, the Company acting as agents for working the line, *ib.* 253, 254. 374.

Success of the arrangements for obtaining capital for this line, though the shares have been at a discount through the smallness of the guarantee; complicated character of the arrangements, *Strachey* 292-294——Strict Government supervision over the expenditure on the line, *ib.* 305-307——Illustration, in the case of the South Mahratta line, of the value of construction by the Company, rather than by the State, *ib.* 374.

Information as to the terms of the Government guarantee to the South Mahratta Company; unique character of the contract with this Company, *Trevor* 1696-1714. 1725. 1732-1738——Approval of the system of guarantee given by the Government to this Company; statement generally in regard to the terms, *Lord* 2480-2482. 2514, 2515.

Permanent guarantee of three-and-a-half per cent., and temporary guarantee of one-half per cent. for seven years given to the company, in addition to one-quarter of the total net earnings, *Dickens* 3066-3073. 3313——Capital of 1,700,000 *l.* raised by the Company by means of debentures, in the same way as is suggested by witness, *Westland* 4857, 4858.

Guarantee received by the South Mahratta Company, who construct and work the line as agents for the Government, who are the owners; absolute payment of the guarantee to the Company in the equivalent of sterling, *Waterfield* 6078-6080. 6084——Grounds for adopting the payment of such a number of rupees as will produce the requisite sterling sum in England, *ib.* 6079, 6080.

Report, 1884—*continued.*

SOUTH MAHRATTA COMPANY—continued.

1. *Information relative to the Government Arrangement, &c.*—continued.

Approval of the terms entered into by the Government with the South Mahratta line, which were advantageous to both parties, *Ashburner* 6358, 6359——Contention that the contract is disadvantageous chiefly for the reason that the stock is at a discount; until the Government came to the rescue and authorised the issue of debentures, the stock was unsaleable at par, *Robertson* 6553-6558. 6583-6590. 6652-6654. 6672-6686. 6692-6711. 6714-6716.

Explanation of the terms by which the Government are bound to the South Mahratta line for twenty-five years, *Danvers* 7104-7106——Arrangement made with the company for a rupee payment in India equivalent to a sterling payment; approval of paying the interest in England in sterling, *Westland* 7134, 7134*.

Summary by the Committee of the terms in the case of the Southern Mahratta Company, *Rep.* x——These terms offer a permanent security to investors, which is equal to the security of the Government of India, with the addition of a quarter of the net receipts of the line, *ib.*

2. *Approval of a similar Arrangement with other Companies:*

Explanation that though witness strongly objects to a limited guarantee, or any system of guaranteed interest, he approves of interest on capital under such limitations as in the case of the South Mahratta Company, *Strachey* 346-351.

Advisability in regard to railways that are not likely to pay more than 4 per cent. of adopting similar terms as have been given to the South Mahratta Company, *Dickens* 3066-3073. 3313.

Desirability for the Government in the future to establish lines on similar terms to those arranged with the South Mahratta line, *Crawford* 3996-4002.

Great importance that the profits of a line should always be calculated upon a rupee basis, as in the case of the South Mahratta Railway, *Westland* 4771.

Approval of the South Mahratta contract as the type for future railway contracts, *Rendel* 5641-5645. 5999-6002.

Argument that as regards the South Mahratta contract, the terms should be advantageous to both parties; contention that it will be impossible to repeat the terms made with that company unless they are improved, *Robertson* 6583-6587. 6652-6654. 6694, 6695.

Approval of the Government giving to private companies similar terms to those of the South Mahratta Company, in the case of lines which are not expected to be remunerative; opinion that the same terms should be granted to famine lines, *Danvers* 6874. 6885. 6900, 6901. 6943-6962. 7083-7106——Several advantages which would result from employing a company under the terms of the South Mahratta line, *ib.* 6957-6962——Opinion that if the payment of interest were made in sterling instead of a rupee transaction, the security would be more acceptable to the public, *ib.* 7091-7095.

3. *Protective Character of the Line, which is on the Narrow Gauge, and will soon be Opened:*

Very poor district served by a portion of the South Mahratta line, *Strachey* 288——Eminently protective character of the line, *Sir J. Caird* 390.

Belief that on the Mahratta line, which is a self-contained system, the metre gauge is very suitable, *Chapman* 763——The line is under construction, and will soon be partly opened, *Westland* 4751.

4. *Views of the Government of India in approval of the Line:*

Proposals in letter from the Government of India of 22nd July 1881 for the construction of the line, as one of a series of railways for protection against famine, *App.* 492-495.

5. *Exchange in Connection with Capital Transactions:*

Particulars respecting exchange in connection with capital transactions; conflicting statements hereon on the part of the Secretary of State in Council and of the Government of India, *App.* 700-709.

6. *Very small Local Capital subscribed:*

In the case of this company, 500,000 *l.* was reserved for Indian subscription, but only 10,000 *l.* was obtained, *Rendel* 5698.

Speed. Slower rate of speed on the metre gauge than on the broad gauge; the latter lines run at a speed of twenty-three miles an hour, whilst the metre gauge running is from eighteen to twenty miles, *Trevor* 1688-1691.

Unimportance of a high rate of speed upon Indian lines; twenty-five miles an hour for third-class passengers is quite fast enough, *Rendel* 5918-5921.

Staff. Respects in which there is on the whole an advantage on the score of staff in favour of companies as compared with the State, *Strachey* 256-258.

See also *Construction and Working. Engineers. Public Works Department Salaries.*

Report, 1884—*continued.*

STATE RAILWAYS:

1. *Considerations generally as to the System of State Railways, as to the Extent to which desirable, and the Financial Arrangements to be adopted.*
2. *Proposals of the Government of India as to the Lines to be constructed.*
3. *Financial Statistics respecting the existing State Railways.*
4. *Approval by the Committee of the Action of the State as well as of Private Companies.*

1. *Considerations generally as to the System of State Railways, as to the Extent to which desirable, and the Financial Arrangements to be adopted:*

Belief that the construction and management of the State railways have been satisfactory, *Strachey* 31. 93——Disadvantage in the required railways being constructed by the State, on account of the large increase thereby to the debt of India, *ib.* 1101-1108. 1126——Insufficient time hitherto for testing the financial results from the State lines, *Sir J. Caird* 390.

Conclusion that the construction of railways for protective or strategic purposes should be undertaken by the State; belief that works undertaken by the Government are quite as efficient and economical as those carried out by private companies, *Coke* 1281-1283. 1404-1406——Equally good management of the State lines as of the guaranteed railways, *Trevor* 1592-1604——Very great advantages in the lines being directly made by the Government; cheap rate at which the Government can obtain money if they make the railways themselves, *ib.* 1659, 1660.

Expediency of the Government borrowing money for the construction of railways as State undertakings, rather than that they should give up the control over the rates, *Bythell* 2650——Grounds for the opinion that the construction of Indian Railways should be entirely undertaken by the State; expediency if possible of constructing by contract, *Graham* 2716-2721. 2770-2775—— Disapproval of the policy that the State should meet all the loss out of the lines that are considered productive; expediency of the Government owning the paying as well as the non-paying lines, *ib.* 2733, 2734.

Strong approval of the proposed new railways being constructed partly by the Government and partly by companies with Government guarantees; expediency of giving the Government establishment paying as well as non-paying lines, with the view of keeping it efficient, *Dickens* 3058-3060. 3064, 3065. 3168, 3169. 3212-3215——Expediency of the Government, in the interests of the people of India, keeping a large portion of the profits of railways, and not giving them all over to the companies, *ib.* 3305.

Proportion proposed to be expended directly by the Government and through the agency of companies, respectively, *Conway-Gordon* 3505——Conclusion that the proposed direct State expenditure will not affect in any way the balance of the general railway revenue or maintenance account, *ib.* 3522, 3523——Proposal of the Government that the whole capital required for additions and improvements to the open State Railways should be considered as outside the fixed limit of annual capital outlay, *ib.* 3546-3548.

Explanation as to the comparative advantages and disadvantages of the Indian Government constructing the railways, *Conway-Gordon* 4296-4298. 4369, 4370——Expediency of the Government retaining very much in its own hands a monopoly of the carrying trade of the country; grounds for this opinion, *ib.* 4303, 4304.

Desirability that the State should not earn more than the actual cost of the line, and that the profits of the railway should be only sufficient to pay the interest and the expenses, *Conway-Gordon* 4554-4559.

Necessity, if the companies do not come forward as anticipated, and if it is essential to construct the lines within the specified period, for the Government of India themselves to borrow over twenty-six millions; belief, however, that they are not prepared to execute the railways if so large a proportion falls upon their direct agency, *Waterfield* 6300-6311——Examination as to the agency to be adopted for the construction of the lines; opinion that the Government should not leave all the productive lines to the companies, but should make paying lines compensate for those which are not productive, *Ashburner* 6356-6364. 6380-6385. 6450. 6489-6491. 6534-6537.

Grounds for the opinion that the Government of India, if disappointed in getting companies to take up the proposed lines, will themselves borrow the money and undertake the construction; explanation that this course would not affect the financial position at being a mere question of agency, *Conway Gordon* 6854-6864.

2. *Proposals of the Government of India as to the Lines to be constructed:*

Letter from the Government of India in January 1883, submitting, amongst various definite proposals, that the Government should only undertake the construction of lines which, from their unprofitable character, cannot be made by private agencies, *App.* 509-523.

Details,

Report, 1884—*continued.*

STATE RAILWAYS—continued.

2. *Proposals of the Government of India as to the Lines, &c.*—continued.

Details respecting the several lines proposed to be made by the State, or other agency on its behalf; *App.* 512–514.

List of lines proposed by the Government of India in January 1883, the capital to be raised and interest paid by Government; *App.* 524.

List of lines submitted as indispensable, to be completed, or made by the State in default of other agency; estimates of cost, and of net revenue; *App.* 525–527. 532, 533.

List of lines, the capital for which is proposed to be raised and the interest paid by the Government of India; *App.* 524. 568. 574.

3. *Financial Statistics respecting the existing State Railways:*

Continuous increase during the past five years in the revenue received from the State railways; details of the estimated receipts from these railways for the year 1884–85; *Westland* 4776.

Statement containing estimates of cost, and of net revenue, in the case of each railway with which the State has current accounts, in each of the five years 1883-84 to 1887-88; *App.* 534, 535.

Statement of the capital expenditure on State railways for each of the twenty-five years ending 1883–84; *App.* 556.

Statement showing the direct annual gain or loss to the State from railway outlay in each year since 1858–59; *App.* 558.

Statistics showing in aggregate sums the total cost, gross receipts, working expenses, net revenue, &c.; *App.* 622.

Statement submitted by Mr. Westland, showing the net earnings of each of the State railways in each of the years 1879–80 to 1883–84; *App.* 633.

Amount of capital outlay in each year since 1857–68; *App.* 698, 699.

Telegraphic communication from the Governor General, dated 22nd June 1884, submitting grounds for dissenting from certain conclusions embodied in Financial Despatch from the Secretary of State of 27th May 1884; *App.* 700, 701.

Despatch from the Secretary of State to the Government of India, dated 27th May 1884, containing explanations on the question of profit from the railways in connection with the loss on the exchange, &c.; *App.* 702, 703.

Memorandum attached to Despatch of 27th May 1884, together with tabular statistics, in support of the conclusions arrived at by the Secretary of State in Council, *App.* 704–709.

Tabular statements of annual expenditure, and of revenue, *App.* 751 *et seq.*

Abstract statement of working expenses in respect of each of the State railways in each year since 1868-69; *App.* 716, 717.

Detailed statement showing the interest on debt incurred for productive public works in each year since 1869–70; *App.* 720. 721.

Revenue since 1882–83 in respect of each of the State railways not classed as productive; *App.* 722.

Statement of expenditure on capital account in each year since 1867-68; *App.* 724, 725.

Statement of gross receipts from each railway since 1873–74; *App.* 730, 731.

Statement showing the direct annual gain or loss to the State from railway outlay since 1867–68; *App.* 750.

Revenue accounts of the several State railways for each of the financial years, 1881–82, 1882–83, and 1883–84; *App.* 751–753——Revenue accounts for each half-year from 31st December 1881 to 31st December 1883; *ib.* 762–765.

Administrative transactions of the different State railways for each of the years 1881–82, 1882–83, and 1883–84; *App.* 754–759.

Financial results of the transactions connected with the working of the several lines, *App.* 852.

4. *Approval by the Committee of the Action of the State, as well as of Private Companies:*

Conclusion of the Committee that State operations should be continued, together with construction and working by means of companies, *Rep.* viii. x.

Report, 1884—*continued.*

STATE RAILWAYS—continued.

4. *Approval by the Committee of the Action of the State, &c.*—continued.

Limitation of State operations according to the strength of the Public Works Department, the permanent staff of which it is not desirable to increase, *Rep.* x.

See also *Administration and Management. Bhopal to Jhansi, Gwalior, and Cawnpur. Construction and Working. Engineers. Extension of Railways. Famines, and Famine Lines. Financial Condition of India. Financial Results of Railways. Gauge. Loans. Productive Lines. Protective Lines. Rajputana-Malwa Railway. Rates and Fares. Taxation.*

Statistics. Valuable statistical information respecting Indian railways given in the "Gazette of India," *Chapman* 745. 881.

Compilation of the statistics of the working of Indian railways undertaken by the Railway Department of the Government; explanation that these statistics have not been specially prepared for the purposes of the present inquiry, *Conway-Gordon* 4337.

Tables of statistics prepared by witness for the use of the Committee, with regard to the financial position of Indian railways, *Westland* 5620——Statement that the statistical details of railway expenditure are not immediately procurable, but that they can be obtained, if necessary, by the India Office, *ib.*

Introduction into India by witness, in conjunction with General Strachey and Mr. Danvers, of a new system of statistics similar to that which is in use in America; belief that the non-adoption of this system in England is the cause of a very great loss in the working of railways, *Rendel* 5621. 5749-5770——Explanation as to the origin of the system of statistics adopted by the East Indian Company, *ib.* 5749.

Decided opinion that such statistics as were referred to by Mr. Rendel are of small importance; what is most wanted is an energetic traffic manager who is always up and down the line, *Conway-Gordon* 6844, 6845. 6851-6853.

Steel Rails. Statement by Mr. Bell, Chairman of the British Iron Trade Association, as to the present time being very favourable for railway extension in India on account of the greatly reduced cost of iron and steel railway materials, &c.; *App.* 647, 648.

Imports of steel into India from the United Kingdom and from different foreign countries in each year since 1871-72; *App.* 769.

See also *Cost of Construction.*

Sterling Loans. See *Loans.*

Strachey, General R., R.E., C.S.I., F.R.S. (Analysis of his Evidence.)—Witness, who is now a member of the Council of India, was President of the Famine Commission, and was for many years connected with the Public Works Administration, 1, 2.

Theoretical outline given in the Report of the Famine Commission in 1880 respecting the necessary extension of railways throughout India for the distribution of food in famine time; estimated requirement of something like 20,000 miles of railway if constructed fifty miles apart, 3——Considerable advance of construction since 1880, whilst the finances of India are in a better condition than they were four years ago, 4, 5.

Action of the India Office since 1870 in the direction of restraining expenditure advocated by the Government of India for the more rapid extension of railways, 6——Gradual increase of the repressive action of the Secretary of State in Council; comment more especially upon the additional limitations imposed by the Despatch of Lord Hartington in January 1881, and upon the arbitrary distinction therein drawn between productive and protective lines, 6-8.

Sanction given by the Secretary of State to the raising of borrowed money for productive lines, whilst it was prohibited in the case of protective lines, 7——Effect of the foregoing distinction that it prevented the construction of those lines which, as regards protection against famine, were the most needed, *ib.*——Objection, moreover, on the ground that the distinction in question is based on mere estimates of cost and receipts; tendency to unduly favourable estimates in the case of productive lines, 7, 8.

Construction of Indian railways hitherto by means either of money raised by the Government and expended through its own officers, or of a guarantee of interest to private companies, who have thereby raised the money and carried out the lines, 9——Limit to the amount which capitalists are prepared to lend to Government for railway extension; that is, unless the rate of interest on loans be increased, 9-12.

Argument that the capital debt in respect of railways, and other public works, should never be so increased that the net charge upon it should exceed what may be considered a reasonable sum to be applied from the public revenue to stimulate the extension of public works, 12, 13——Realisation of the provisions of Lord Lawrence and Lord Mayo, there having been a gradual diminution of the charge, whilst in the present year there is a surplus of about a million, *ib.*

Entire dissent from the recommendation by the Select Committee of 1879 that the annual

Report, 1884—*continued.*

Strachey, General R., R.E., C.S.I. F.R.S. (Analysis of his Evidence)—*continued.*

annual sum to be spent by the Government on railways from borrowed money shall not exceed two and a half millions, 12. 14, 15. 224——Perfectly safe financial position in continuing to borrow money for railway construction so long as there is an absolute net income, after paying all charges, 13. 16-18——Approval of money being borrowed for lines needed for military purposes, such as the line to Quetta, though not likely to be productive, 18.

Decided objection to the system of absolute guarantee on the capital outlay, not only as productive of a very great waste of money, but as creating for third parties a very valuable property at the expense of the taxpayers of India, 19. 22——Forcible illustration in the case of the Eastern Bengal Railway of the enhanced amount of purchase money entailed on Government by the operation of the guarantee, at the expense of the resources of India, 19.

Approval of railway construction by private companies, but without guarantee, 20-22. 31——Opinion that Government should be able to acquire the railways at a rate not exceeding the original amount of capital, 22——Effect of continuing the guarantee system that no lines will be undertaken by private enterprise without guarantees; single instance of the latter, 22, 23.

Excessive character of the extensions proposed by the Bombay Chamber of Commerce and other parties outside the Government, 24, 25——Opinion that the proposals of the Government of India in January 1883 go beyond the real requirements of the country as regards protection against famine; much less extensive programme contemplated by the Famine Commission, 26-28——Circumstance of there having been as many as 2,000 miles under construction on 31st December last, 26.

Expediency of the responsibility in the matter resting with the Government of India and the Secretary of State, without pressure from external authorities; prospect of concession on the part of the India Office in the direction of the requirements of the Government of India, 28-30——Misfortune through the vote of the House of Commons to the effect that expenditure should be reduced, this having probably led to the appointment of the present Committee; expected arrangement otherwise between the Secretary of State and the Indian Government, 29, 30, 225, 226.

Several advantages in working the railways through the agency of companies, 31. 92-94. 104-114——Belief that the construction and management of the State railways have been satisfactory, 31. 93——Immense extent of India, and enormous business involved in the management of the railways, so that their administration by a central Government authority or railway commission would be little short of absurd, 31, 32——

Conclusion as to the necessity of decentralising the construction and management, and of devolving the responsibility generally upon the provincial Governments; careful consideration necessary in order to mature a scheme for this purpose, 32-37.

Explanation in approval of a suggestion in the Report of the Famine Commission that the advantages of private enterprise may be obtained by means of some substitute for the original form of guarantee, which shall give Government a more reasonable share of the profits, 38-54.

Particulars of the arrangement with the Southern Mahratta Railway Company, the latter finding the capital (3,000,000 *l.*), and constructing and working the line, whilst Government pay them 4 per cent. for the first four years, and 3½ per cent. afterwards, until they apply to have the capital repaid; other conditions included, 38-54——Inducement to the South Mahratta Company to construct the line as cheaply as possible, as they receive only a fixed amount as interest or guarantee, 41. 58. 73. 78.

Respects in which construction by the State is probably less desirable than by private companies, witness approving of the latter course, provided economical construction can be secured, with a fair share of profits to the State, 55-75. 92-94——Disadvantage of Government construction of railways and other public works, in so far as the progress is liable to interruption, works being sometimes suspended or delayed; enhanced cost thereby, 62-73——As to State construction of railways by contract, it is being entirely given up as unsatisfactory, 71.

Further reference to the terms made with the South Mahratta Company as being a little too hard on the part of Government, 76-80. 82——Grounds for concluding that by offering slightly better terms than were given to the South Mahratta Company Government will obtain the required capital, even with the condition that they may purchase the lines at the original capital price; prospect of speculators coming forward in the first instance, 81-89——Doubt as to construction by Government being necessarily cheaper than by companies, 93. 99-103.

Opinion that in view of what has already been done, the best course is to make new lines as occasion requires, the chief thing now required being to fill in cross lines between the main lines, 95-98——Desire of witness that railways in India should be extended as far as is financially justifiable, it being important to provide not only protective lines, but military lines, and to develop the resources generally of the country, 115-119.

Report, 1884—*continued.*

Strachey, General R., R.E., C.S.I., F.R.S. (Analysis of his Evidence)—*continued.*

Statement to the effect that in addition to the two and-a-half millions a year at present authorised to be borrowed for public works, there might be allowed another million (that being the present annual surplus from railways), 120–132. 136–144. 179–181——Objection to the surplus of a million being specially allocated as interest on a sum to be borrowed (say 25,000,000 *l.*), witness submitting that such surplus is part of the general revenue of the State, and that it would be very unwise to appropriate a definite sum in advance for railways out of annual revenue, 125–130. 136–144.

Very large capital expenditure annually on railways over and above the two and-a-half millions authorised to be borrowed by the Government; large outlay estimated for the coming year, 132–135——Information respecting the progress being made with the construction of new lines; total of 2,967 miles under construction or sanction for 1884–85, of which it is estimated that 1,103 miles will be opened within the year, 145–150.

Indirect effect of the metre gauge in leading to much less cost in the construction of lines on the broad gauge, 151–154——Capacity of the broad gauge as compared with the narrow in the proportion of one and-a-half to one, 155–158——Impression as regards the great extension of railways in Russia in comparison with India, that such extension is largely for military purposes, and has had a very injurious effect upon Russian finance, 159–161.

Doubt whether the relief of famine will be any less costly by the construction of 5,000 additional miles of railway, though more people would be saved from starvation, 162–169. 177——Statement to the effect that a capital outlay of 25,000,000 *l.* would provide about 5,000 miles of railway, which even in the famine districts would be more or less productive, and would provide something towards the interest, 170–178——Further opinion that the arbitrary distinction drawn between protective and productive lines should be abolished, 179.

Explanation that witness does not propose to limit the outlay strictly to 3,500,000 *l.* in each year, as in future years the revenues may admit of a larger annual surplus than 1,000,000 *l.*; 180,181——Very limited extent to which local capital is likely to be found for local lines, unless there be the inducement of a sufficient rate of interest, 182–186——Satisfactory arrangement by which the Hathras line, only thirty-six miles long, in the North West Provinces has been made by the locality and the Government jointly, 183.

Approval, under certain limitations, of power in the localities or the Provincial Governments to levy a railway cess in order to make up the required rate of interest on new lines; that is, in the case of productive districts, 187–196. 272–274——Doubt as to the expediency of a system of local railway cess in aid of interest on protective lines, 192–196.

Grounds for the conclusion that it is exceedingly unwise to increase the sterling liabilities of the Secretary of State, either in the shape of a guarantee of interest in sterling or creation of sterling debt, 197–223——Opinion that the power of borrowing in sterling should be reserved for times of difficulty and occasions of emergency, 197.

Compulsion upon the Secretary of State, by the force of financial circumstances, to borrow in England, though he has tried very hard to avoid it, 197——Very great and serious difficulty at times in the sale of bills by the Secretary of State, the remittances from India being directly affected by the produce coming forward, 197–212——Increase during the last eight years to the extent of 5,700,000 *l.* a year in the annual payments of the India Office in respect of the guaranteed railways, 197, 198.

Further explanatory statement relative to the arrangement with the Southern Mahratta Company, who receive their interest in rupees in India, at the equivalent of three-and-a-half per cent. sterling in London, and have to make their remittances home; respects in which this system is advantageous, irrespectively of the question of the rate of exchange, 199-223.

Further objection to the surplus of one million from the railways being specially set aside as a means of meeting the guarantee or interest on additional capital expenditure, expediency of the action of Government respecting railways being regulated from year to year, 227-232——Much larger real than nominal surplus of Indian revenues, the real surplus being reduced by the famine insurance and the pay of arrears of military charges, 228-230.

Decided disapproval of a limited guarantee, as well as of unlimited guarantees, 233——Unsatisfactory results in the case of the Orissa Canal, though not guaranteed; compensation paid to the secretary and other officers of the company, 234–238——Unsatisfactory results also in the case of the Madras Irrigation Company, 239, 240.

Statement respecting the operations of the Nurbudda Coal and Iron Company; belief that the company did not undertake any obligation to work the iron, 241——Obligation upon the Government as to taking over the Calcutta and South Eastern Railway, after having paid a great deal of money under the guarantee, 242, 243——Belief

that

Report, 1884—*continued.*

Strachey, General R., R.E., C.S.I., F.R.S. (Analysis of his Evidence)—*continued.*

that in no instance has there been a syndicate as a means of placing the shares of any of the railways in the first instance, 244——Modification of the terms of the South Mahratta contract in order to induce the company to carry out a certain extension of the original scheme, 245, 246——Concession in the case of the Bengal and North Western Company by Government giving up a share of the profits above six per cent., 247.

Very efficient working of the guaranteed railways in times of famine, &c., though the companies have not been liberal in their terms or charges on such occasions, 249-252——Question further considered as to the relative advantages and disadvantages of the action of companies; balance of advantages on the whole, 253-264——Further approval of the principle in the case of the South Mahratta Company, whereby the Government is the owner of the line and regulates the rates, the company acting as agents for working the line, 253, 254. 374——Disappointment to the syndicate who took up the shares in the Nizam's railways, which are still at a considerable discount, 255.

Respects in which there is on the whole an advantage on the score of staff in favour of companies as compared with the State, 256-258—— Enormous and multifarious duties discharged by the Government of India, so that it may well be relieved of the detailed administration of the railway system, 258-264. 372.

Explanation that witness does not approve, at present, of the raising of loans by the Provincial Governments for the construction of railways, though the administration might be placed in their hands together with the financial responsibility for working the lines, 265, 266.

Facility, even in the time of the Mutiny, with which loans have been raised in England, including the money required for the guaranteed companies, 267-271——Effect of the extension of railways in inducing more widespread cultivation, and in increasing the obligation to take effectual steps for the relief of famine, 275-278.

Reiteration of objections to the system of guarantees, as involving an undue charge upon the taxpayers of India, 279-283——Necessity of some contribution from the revenues of India in order to obtain capital for railway extension, the question being as to the most efficient method, 283-287——Prospect of satisfactory progress if the matter had been left to the Secretary of State and the Government of India, 284, 285.

Necessity of a further guarantee in the case of any company exhausting the amount of capital first guaranteed, 286——Very poor district served by a portion of the South Mahratta line, 288——Success of the arrangements for obtaining capital for this line, though the shares have been at a discount through the smallness of the guarantee; complicated character of the arrangements, 292-294.

Belief that there has been no check to the expansion of traffic from the adoption of the narrow gauge, 295-298——Great improbability of any through-goods traffic between Bombay and Calcutta, 299——Advantage if the narrow-gauge lines were grouped together so as to avoid break of gauge, 300, 301——Estimate that the cost of break of gauge is not greater than the cost of ten miles of transport; exceedingly small addition thereby to the cost or price of grain, 302, 303. 342.

Inducement to extravagance by the guarantee on the East Indian Company's capital after the shares had reached a premium, though witness considers this is the best managed line in the world, 304——Strict Government supervision over the expenditure on the South Mahratta line, 305-307——Difficulty at first in organising any proper supervision over the construction of the East Indian Railway; efficient Government officers now available for this purpose, 308——Probability that the Government might have succeeded in borrowing on better terms than the East Indian Company, 309, 310.

Entire absence of analogy between India and the United States as regards railways, their construction and extension, 311-313——Satisfaction expressed with the companies' management generally in India, there being, moreover, an efficient Government audit of all expenditure, 314-316.

Explanation that witness fully approves of the rapid construction of some 5,000 miles of new railways, but always with due reference to the financial resources of the country, 317 *et seq.*——He further submits that the surplus of a million from the railways should be regarded as available for the obligations and contingencies generally which may arise, and should not be allocated specially or exclusively to railway extension, 321-335.

Strong advocacy of railway extension as a means of developing the resources of India, and of increasing the prosperity of the country; it being expedient, however, to limit the amount of borrowed money to the general condition of the finances, 322-340—— Good prospect of new lines being remunerative, though some years are necessary for their profitable development, 322-325——Liability to fluctuation in the annual surplus, so that a million a year cannot always be depended upon, 326-333.

Inconvenience as well as expense entailed by break of gauge, it being, however, expedient to continue for some time to come both the metre gauge and the 5 ft. 6 gauge, 341-345 —— Explanation that though witness strongly objects to a limited guarantee, or

Report, 1884—*continued.*

Strachey, General R., R.E., C.S.I., F.R.S. (Analysis of his Evidence)—*continued.*

any system of guaranteed interest, he approves of interest on capital under such limitations as in the case of the South Mahratta Company, 346-351.

Expectation that the exports from India will assuredly increase, and will admit of increased remittances from India in payment of interest on English capital invested in railways, 352——Great stimulation of the trade of India by railway extension, 353——Effect of the railways in increasing the product of the soil, but not in directly enhancing the amount of the land revenue, 353-355.

Estimate by witness that the saving to the people of India from the construction of railways is probably twice the gross income of the companies, 355——Probable saving of from 30,000,000 *l.* or 40,000,000 *l.* by the people yearly, the cost of transport having been reduced by at least one-third, *ib.*

Further statement in deprecation of specific recommendations and restrictions, as laid down by the Committee of 1879, though witness does not object to general recommendations of a restraining character, where no hard-and-fast line is laid down, 356-365. 367——Exception further taken to the restraint imposed by the Secretary of State upon the Government of India; approval of the responsibility of acting upon general recommendations being thrown upon them jointly, 356-362.

Importance further attached to exceedingly cautious action in undertaking costly public works in India, 366, 367——Opinion that no other means than the extension of railways will so effectually prevent loss of life in famines, though it is doubtful whether the cost of relief will be lessened, 368-371.

Further reference to the advantage, on the whole, of administration by companies instead of by the Government, 372-374——Illustration in the case of the South Mahratta line of the value of construction by the company rather than by the State, 374.

[Second Examination.]—Refusal of the Secretary of State to accept the offer of the Great Indian Peninsula Company to construct the Bhopal line upon the condition of a guarantee, on account of the liability involved, 1042-1046——Negotiations with the company, subsequently, for the construction of the Bhopal line without a guarantee; eventual suspension of the negotiations through the company declining to undertake the line without a guarantee, 1047-1052.

Evidence to the effect that the present surplus profit of a million a year in excess of the guaranteed interest is but nominal, inasmuch as it is lost to Government by the loss on exchange in connection with railway remittances, 1053-1064; 1185——Further expression of the opinion that the surplus of one million, as in 1883, does not justify increased borrowing for railways, 1063. 1065——Fluctuation in the profits from year to year, the surplus in 1883 having arisen in an extremely favourable year, 1065-1074——Very large falling off in the receipts of the Great Indian Peninsula line in the first few months of 1884; doubt whether there has been any reduction in the cost of maintenance, 1065-1067.

Statement in further approval of a total annual expenditure by Government of three-and-a-half millions of borrowed money in the extension of railway and irrigation works, but not as interest on a large capital expenditure to a much greater amount, 1075 *et seq.*——Grounds for strongly objecting to the use of two-and-a-half millions as annual interest for providing an immediate capital outlay of about 62,000,000 *l.* by private companies, 1079-1115.

Further protest against any return to the old system of guarantee, as involving extravagance in construction, as well as extravagant terms of purchase by Government, whilst the companies are under no risk whatever, 1096-1100.

Disadvantage in the required railways being constructed by the State on account of the large increase thereby to the debt of India, 1101-1108. 1126——Suggestion that the necessary extension may be partly effected through private companies who should provide the capital, receiving a moderate rate of interest and a portion of the receipts, the expenditure being under the control of the Government, and the lines being worked by the companies, 1102, 1103. 1109 *et seq.*

Impracticability of limiting the capital outlay to a specific sum in respect of which the Government should be liable for interest or guarantee, 1136——Proposal that the companies should be in the light of paid agents of the Government, the construction being effected through them, 1137, 1138——Approval of private enterprise, pure and simple; great improbability, however, of this being sufficient in lieu of the loss on exchange, 1139-1141. 1196.

Favourable opinion as regards the arrangement whereby the capital for a short line in the north-west has been provided equally by Government and by shareholders, the latter receiving four per cent. interest, the management resting with Government, 1142-1152——Doubt as to any serious difficulty having arisen in the foregoing case either as regards management or rates, 1149-1152——Absence of any practical control of the rates by Government where a maximum has already been fixed, 1152.

Report, 1884—*continued.*

Strachey, General R., R.E., C.S.I., F.R.S. (Analysis of his Evidence)—*continued.*

Further consideration of the cost and delay involved by break of gauge, the actual cost of transfer being computed as about equivalent to ten extra miles, 1153-1178——Explanation that in calculating the net earnings and the surplus profits, arrears of interest in former years are not taken into account; amount of such arrears, these not constituting any present charge upon the finances, 1179-1184.

Success of the railways, not only in improving the condition of the people of India, but in conferring enormous advantages generally, without creating an increasing charge on the revenues of the country, 1186, 1187. 1194, 1195——Occupation of the principal trade routes by the existing lines; varying conditions as to population, &c., by which the extensions or connecting lines in different districts should be settled, 1188-1190——Limited extent to which there should be Government control over the administration by private companies; degree of restriction desirable as regards rates, 1191, 1192.

Expediency of a reasonable power in Government to come in and buy up the lines made by private enterprise, a fair value being given for the property, 1192——Approval of the ultimate authority still resting with the Secretary of State as regards questions of railway extension, purchase, &c., 1193——Further statement as to speculators being likely in the first instance to take up stock in new undertakings, issued under certain conditions, in the expectation of investors coming in subsequently; instance in the case of the Nizam's railway, 1196-1206.

Statement as to it never having been attempted to bring out a rupee loan in England, 1207-1209——Increased remittances from India with increased investment of English capital; effect, on the other hand, of increased exports from India in causing increased remittances to India, 1210-1212——Enhanced financial difficulties if the system of guarantee had been continued; important effect as regards the exchange, 1213-1219.

Facility from the railways in the movement of troops; doubt, however, whether the existing force in India admits of diminution even if the lines were much extended, 1220-1222——Dissent from the view that after allowing for loss on exchange and other matters there is a net return of four per cent., 1223-1226——Efficiency of the Government military engineers employed in working the lines; separate establishment kept up specially for India, 1227-1229——Assertion that the cost of working is not greater in the case of the State lines than of the older lines, 1228.

Estimate of from 8,000 *l.* to 9,000 *l.* as the present cost of making a broad-gauge line, the cost of a metre-gauge line being from 5,000 *l.* to 7,000 *l.*; much greater cost of the older lines, 1230-1238——Explanation respecting the cost in the case of the Bengal Central line, 1232-1237.

Question further considered as to the expediency of the limit of 2,500,000 *l.* a year, as laid down by the Select Committee of 1879, for expenditure on public works; respects in which open to objection, 1239-1248——Circumstance of witness when in India having been considered extravagant in his ideas respecting public works, whereas he is now looked upon by many as an obstacle in the way of progress, 1249, 1250.

Strategical Lines. See *Military Lines. Quetta Railway.*

Subsidized Railways. Statement showing the expenditure and estimated expenditure in respect of the several subsidized lines since 1881-82, *App.* 722.

Sugar. Very remunerative results from sugar cultivation, the soil being highly manured, *Sir J. Caird* 611-613.

Sukkur Bridge. Great importance of completing the construction of the Sukkur Bridge over the Indus, which has been stopped for want of funds; opinion that this is a work which would pay itself in a very short time, *Graham* 2740. 2781-2787.

Sullivan, H. E. Minute by Mr. Sullivan in January 1884, as a member of the Famine Commission, relative to the protective character of certain lines; importance attached to their rapid construction, *App.* 580, 581.

Surat. Impossibility of making an efficient port at Surat on account of the large size of the vessels of the present day, *Crawford* 3744.

Surplus Revenue (Railways, &c.). See *Expenditure (Railways). Financial Condition of India. Financial Results of Railways.*

Syndicates. Belief that in no instance has there been a syndicate as a means of placing the shares of any of the railways in the first instance, *Strachey* 244.

Statement that the only possibility of getting railway shares taken up in India is through a syndicate, *Conway-Gordon* 3587.

T.

Tadpatri District. Statement showing the area, population, and loss of population during the famine in this district, *App.* 587.

TAXATION:

Grounds for the conclusion that the increased expenditure, as proposed for railways, will not add to the burden of taxation of the people of India; contention that the principle should be that the State expenditure on new works should be so carried out as to avoid any increase of taxation, *Conway-Gordon* 3526, 3527. 3539. 3557. 3561, 3562. 3570. 3620. 3625, 3626——Opinion expressed by the Government of India that they would consider increased taxation as a greater evil than slow progress in railway construction, *ib.* 3526.

Belief that there is no country which bears such burdens in improving itself as India; heavy taxation borne at the present time for the benefit of generations to come, *Conway-Gordon*, 3609, 3610.

Determination of the Government that there is to be no increased taxation for the purpose of obtaining money for the extension of railways; statement also that the borrowing for this purpose is not to be pushed so as to injure the credit of the Government, *Conway-Gordon* 4070-4074. 4262——Recommendation that the Government should be allowed to borrow money for the construction of railways, on the condition that no further taxation is imposed on the country, *ib.* 4288.

Condition that it is the gradual improvement in the public works finances which has placed the Government of India of late years in so sound a financial position; removal by the Government of nearly the whole of the customs duties, and considerable reduction in the salt tax, *Conway-Gordon* 4396——Great importance in laying down definite principles on the question of gauge, a limitation of expenditure being insisted on so as to exclude additional taxation, *ib.* 4695-4701. 4731, 4732.

Determination of the Government of India not to increase the taxes of the country in connection with the extension of the railways; view that delay in the construction of the proposed lines would be a less evil than an increase of taxation, *Westland* 4970, 4971. 4973-4978——Conclusion that the effect of the present proposals for railway extension will be to render it extremely difficult for the Government to take up any question involving the remission of any existing revenue, *ib.* 5127, 5128. 5130.

Further and strong opinion with regard to the present proposals, that the burden on the taxpayer should, under no conditions, be increased, *Conway-Gordon* 5523. 5609.

Statement that the necessity for increased taxation in the future depends altogether upon the question of railway receipts in future years, *Waterfield* 6241-6244——Decided opinion that under no circumstances should there be fresh taxation for the purpose of extending railways more rapidly than they are now being constructed, *ib.* 6279-6281.

Expediency that any future expenditure upon railways should not in any way involve increased taxation; belief that there are no districts in India where increased taxation can be borne by the people, *Danvers* 6872. 7005. 7023, 7024. 7038. 7071.

Concurrence of evidence to the effect that the proposed railway extensions shall not involve any new taxation, *Rep.* ix.

The Committee emphatically endorse the declaration of the Government of India (made through Major Conway-Gordon and Mr. Westland), that the proposed extension of railways should not involve additional taxation, *Rep.* xii.

See also *Financial Condition of India. Land Revenue.*

Third-class Fares. Probable increase of expenditure for rolling stock if the third-class fares were reduced, on account of the increased traffic, *Crawford* 3793-3796. 3819-3822. 3850. 3856.

Strong opinion expressed by Lord Mayo, when Viceroy, against maintaining the maximum fare for third-class passengers, *Conway-Gordon* 4317.

See also *Rates and Fares.*

Thompson, Honourable Rivers. Minute by Mr. Rivers Thompson, dated 26th July 1881, submitting his views upon the subject of the extension of railways in connection with the question of expenditure, *App.* 495-497.

Timber. Increased export of valuable timber in the Central Provinces anticipated by means of the Nagpur-Bengal line, *Hunter* 7149, 7150.

Tinnevelly-Trevandrum-Quilon Railway (Madras). Length and cost of this project, as proposed by the Government of India to be left to private enterprise, *App.* 531.

Report, 1884—*continued.*

Tirhoot Railway. Particulars respecting the several extensions proposed, or under construction, *App.* 525.

Statement showing for each year the mileage, average age, cost, and general results of working, *App.* 776, 777.

Statistics of the cost of working under different heads, *App.* 798 *et seq.*

Trade. Great stimulation of the trade of India by railway extension, *Strachey* 353——Grounds for the opinion that directly a line is opened the revenue of the country is increased in proportion; contention that in India the railway makes the country, not as is in England, where the country makes the railway, *Glover* 1890–1898. 1945. 1954. 2071–2073. 2167–2174. 2243.

Evidence as to the benefit which would result to India from a further extension of railways; details illustrating the great increase in the Indian trade of late years since the introduction of railways, *Lord* 2461, 2462. 2494. 2532, 2533.

Desire on the part of the commercial community of India that lines should be made for commercial purposes, and shall be no burden to the country, *Birkmyre* 3413–3416——Increase of traffic and trade when a railway is extended into any district, *Ashburner* 6421–6425.

Proceedings of the general meeting of the Bombay Chamber, held on the 11th February 1884; views of different members strongly in favour of a large and rapid extension of railways throughout India in the interests of trade, *App.* 608-619.

Reference to certain evidence in favour of railway extension, with a view to the development of the internal trade of India, and to the equalisation of prices, *Rep.* vii.

See also *Coal. Cotton. Cultivation of the Soil. Exports. Prices. Traffic. Wheat.*

TRAFFIC:

Importance of reduction of railway rates as leading to a material increase of traffic, *Bythell* 2628-2630. 2636. 2685-2687——Opinion that private companies are preferred by the people of India to the Government lines in regard to traffic arrangements, *Birkmyre* 3462–3464——Belief that the only means of affecting the current of traffic one way or another would be by means of advertisements, *Crawford* 3876.

General increase in traffic in consequence of reduction of rates, *Conway-Gordon* 4322, 4323——Comparison of the tonnage of general merchandise carried by the guaranteed railways in 1868 with that carried in 1882; *ib.* 4332.

Statement that the opinion of the Chambers of Commerce in regard to the estimates of probable traffic on the Indus Valley and on the Rajpootana lines were more correct than those of the officials, *Conway-Gordon* 4594——Expected increase of traffic on the lines generally, *ib.* 5456–5459. 6718.

Conclusion that whenever railways are extended into a district they bring traffic with them, *Ashburner* 6421–6425——Striking feature in the history of railway enterprise in India that the actual traffic on the great lines has invariably surpassed the official estimates; admission, however, that in the Madras Presidency there are some railways which have not paid, *Hunter* 7203, 7204. 7325–7328.

Average traffic passing over each mile daily in 1882, distinguishing between passengers and goods, and between broad-gauge lines and narrow-gauge lines, *App.* 651, 652.

Comparison between the East Indian, the Great Indian Peninsula, the Rajpootana-Malwa, and the Bombay, Baroda, and Central Indian Railways, in 1883, and in other years when the traffic on the other lines approximated to that of the Rajpootana-Malwa in 1883, *App.* 653.

Statement showing for each year since 1858 the net traffic receipts, less moieties of surplus profits paid to companies, *App.* 750.

Statement showing the annual gross earnings of each railway in India from the commencement; also the earnings per mile per week, *App.* 770–781.

Abstract statistics respecting passenger traffic and goods traffic, and the cost of working, under different heads, *App.* 798 *et seq.*

Abstract statistics of the carrying capacity of each line in respect of coaching traffic for each half year from 31st December 1880 to 30th June 1883; *App.* 810–815.

Abstract statistics of the carrying capacity of each line as regards goods traffic in each half year from 31st December 1880 to 30th June 1883; *App.* 816–821.

Abstract statistics of traffic expenses in proportion to traffic earnings in each half year from that ending 30th June 1881 to that ending 30th June 1883; *App.* 828–833.

Gross traffic receipts of the State lines in each year since 1873-74; *App.* 852.

Report, 1884—*continued.*

TRAFFIC—continued.

Suggestions in Paper by Major Conway-Gordon as to the data to be borne in mind in considering the estimates of traffic on new lines, *App.* 853, 854.

Sundry details supplied by Major Conway-Gordon upon the subject of gauge, population, traffic, &c., in the case of various lines advocated by the Provincial Governments and the Government of India, at an estimated expenditure of 28,262,450 *l.*, *App.* 853 *et seq.*

See also *Financial Results of Railways. Gauge. Goods Traffic. Passengers. Rates and Fares, Wheat.*

Training College (Engineers). Approval of the policy of a training college for the education of young men as engineers, Government having the advantage of their services at a moderate remuneration, *Dickens* 3287–3289.

See also *Cooper's Hill Engineering College. Poonah College.*

Transit Duties. Belief that the exactions by native chiefs in the way of customs and transit duties are being generally reduced, *Bythell* 2664-2666——Endeavours on the part of the municipalities throughout India to levy transit dues for municipal purposes until stopped by the Government, *ib.* 2665, 2666.

Considerable complaints made by native merchants in regard to the exactions by native chiefs in the shape of customs or octroi duties, *Graham* 2788–2791——Importance of railway extension as a means of preventing the exactions by native chiefs in respect of customs and transit duties, *Ashburner* 6448, 6449. 6466–6469.

Trevor, Major General, J. S., C.S.I., R.E. (Analysis of his Evidence.)—Long connection of witness with Indian railways; he is at the present time a director in England of several railway companies, 1560. 1671.

Evidence generally as to the respective positions of the guaranteed railways and of the State railways in India; grounds for the conclusion that the mode of guaranteeing which is adopted is an expensive system of promoting construction, 1561, 1562. 1569. 1572. 1596–1604. 1606. 1652–1654. 1657. 1665-1668. 1692–1695. 1696-1725. 1732–1738. 1747. 1810——Statement that as a rule the guaranteed companies are the possessors of the great trunk lines, and the feeders only are in the possession of the Government, with the exception of the Burmah State Railway, 1561, 1562.

Views of witness on the question of the relative merits of the broad and narrow gauge; strong objection to a break of gauge even in the case of a very short feeder, 1563–1568. 1811–1818——Non-objection to railways on the metre gauge in the South Mahratta country, 1568——Distinct advantage of the metre gauge in Burmah, and also in Northern Bengal, 1568.

Statement that the Government have needlessly discouraged companies that desired to construct feeders to their respective systems; contention that the companies should be encouraged to construct any extension of their lines which they think fit, 1569–1575. 1585–1587. 1605. 1620–1634. 1759–1762. 1777——Extension of the Scinde, Punjaub, and Delhi Railway by means of debentures, because of the refusal of Government to sanction the construction from guaranteed funds, 1571–1574.

Impossibility of developing any large railway undertakings from the resources of the Government of late years, 1576, 1577——Great caution necessary if the expenditure upon railways is to be largely increased; inexpediency of a very large or a very sudden increase of expenditure, 1580–1582. 1607–1611. 1793.

Statement as to the lines most necessary to be constructed, and most likely to be taken up by private enterprise; opinion that there are not many productive lines which have not already been taken up, 1583, 1584. 1613–1619. 1635–1649. 1800——Importance of the Chittagong line, with an extension to Assam, 1583——Suggestions as to the mode which should be adopted by the Government to induce private companies to take up the construction of branches; impossibility of laying down any hard-and-fast line in regard to such construction, 1585-1587.

Grounds for advocating the eventual purchase of the railways by the State after a term of years; statement that the value of Indian railway property is increasing every year, and that in the future higher prices must be paid for their acquisition, 1588. 1692, 1693. 1748–1758. 1763–1771.

Examination as to the amount of control which should be exercised by the Government over the guaranteed companies; importance of the Government having power to bind companies to carry grain to famine districts at a low rate, 1589–1591. 1661–1664——Opinion that the Government have now an experienced staff of railway officials, and that the State lines are equally well managed with those of the guaranteed companies, 1592–1604——Importance that the lines which are feeders of systems should be managed as part of such systems, 1592.

Desirability of constructing a line from Bhopal to Cawnpur, *viâ* Jhansi; belief that such a railway, though not a trunk line, would be about the most profitable that could be

Report, 1884—*continued.*

Trevor, Major General, J. S., C.S.I., R.E. (Analysis of his Evidence)—*continued.*

be made, 1635—— Disapproval of the construction of a line from Bombay to Calcutta, 1647——Expediency of extending the railway from Nagpur to Bilaspur towards the Chattisgarh district, 1647——Necessity of the Bundelkund Railway for the purpose of saving that country from famine, 1649.

Very great advantages in the lines being made by the Government; cheap rate at which the Government can obtain money if they make the railways themselves, 1659, 1660—— Opinion that the result of borrowing five or six millions annually in the London market would be injurious to the credit of the Government, 1669, 1670. 1772-1776. 1801-1804.

Information respecting the general position of the Bengal and North Western Company, of which witness is a director; explanation as to the terms on which the Government have power to purchase the line, 1671-1679. 1715-1725. 1808, 1809——Statement that the difference of cost of narrow and broad gauge lines is between 1,500 *l.* and 2,000 *l.* per mile; slight difference in the cost of the bridges in respect of both gauges, 1680-1683.

Examination with reference to the relative cost of working the railways upon the broad and narrow gauge; running charges, with the exception of coal, almost double on the metre gauge to what they are on the broad gauge, 1684-1687. 1784-1788—— Slower rate of speed on the metre gauge than on the broad gauge; the latter lines run at a speed of twenty-three miles an hour, whilst the metre gauge running is from eighteen to twenty miles, 1681-1691.

Information as to the terms of the Government guarantee to the South Mahratta Company; unique character of the contract with this company, 1696-1714. 1725. 1732-1738——Explanation with regard to passenger traffic in India, that a heavy loss is made on the first class, no profit on the second, and all the profit on the third, 1726-1731.

Statement that the cost of maintaining the narrow gauge is greater in proportion to the traffic than the maintenance of the broad gauge, 1739-1746——Explanation that the carriages are a good deal wider in proportion to the metre gauge than the broad; the overhang of the metre gauge carriages increases the tendency to accident as well as to wear and tear, 1745.

Anticipation that when the feeder lines are better developed the financial results of Indian railways, taken as a whole, will be better than they have been in the past, 1789, 1790—— Probability that some of the new lines undertaken by the Government will not pay, which fact must be faced in the interests of the country; assertion, on the other hand, that other lines may be built very freely as feeders, upon which good returns are certain, 1793.

Contention that the only means of feeding the people when a famine occurs is by a great extension of the railway system in the shape of protective lines; opinion that it is a question of years to carry out such a policy, it being possible only to do it by degrees, 1794-1798——Admission that if the Indian Government embarked very largely in the construction of non-remunerative lines it would materially affect the construction of remunerative lines by private companies, 1799, 1800.

Statement that the Burmah and the North Bengal Railways are earning considerably more than the four per cent. which has to be paid on the money borrowed for their construction, 1805—— Possibility of putting a third rail on any of the standard gauge lines, for the purpose of running metre gauge trains; great objection to this course as it would have the effect of reducing the present carrying powers of the railways, 1811-1813.

Explanation as to the grounds for constructing the line from Manikpur to Jhansi on the metre gauge, 1818-1822——Conclusion that the proposal of the Government of India to spend fifty millions sterling in four or five years is unreasonable, and that the full benefit of the expenditure will never be obtained, 1826.

Trunk Lines. Statement that as a rule the guaranteed companies are the possessors of the great trunk lines, and the feeders only are in the possession of the Government, with the exception of the Burmah State Railway, *Trevor* 1561, 1562.

Strong opinion that all that is required is to develope and extend the trunk lines already made; there is not room, physically, for another trunk line into Bombay, *Crawford* 3664. 3744. 4019-4021.

U.

Umballa to Pattiala. Refusal of the Punjaub Government to accept financial responsibility for a line from Umballa to Pattiala; belief that if made there would not be much traffic upon it, *Conway-Gordon* 5399.

United States. Entire absence of analogy between India and the United States as regards railways, their construction and extension, *Strachey* 311–313.

System of grants of lands to companies in the United States in order to facilitate their raising capital for the lines, *Sir J. Caird* 391, 392—— Details respecting the great development of railways in the United States, notwithstanding the sparse population in some districts, *ib.* 414–418.

Examination as to the relative conditions of India and of America in respect of traffic, population, &c., with reference to the question of railway extension in each country by means of private enterprise, *Sir J. Caird* 478–484. 531, 532.

Further consideration of the advantages of private enterprise in America, witness fully approving of construction and working by companies in India if it were practicable, *Sir J. Caird* 699–706——Probable causes of the low railway rates in America, notwithstanding the dear labour used in construction, *ib.* 646——Much less financial risk attending railway extension in America than in India, *ib.* 585–587.

Statement that America, with a much more sparse population, is far ahead of India in regard to railways. *Birkmyre* 3418. 3453–3455.

V.

Vizagapatam-Raipur Railway. Great value of a line *viâ* Vizagapatam from Calcutta to Madras, *Sir J. Caird* 590——Reasons for considering it highly important that a line for famine purposes should be made from Vizagapatam to Raipur, *Bythell* 2614.

Advantage of the proposed Vizagapatam-Raipur line as enabling the Orissa coast, in case of famine, to be fed from the grain tracts of Chattisgarh, *Westland* 4899–4906.

Opinion that the line from Raipur to Vizagapatam will not be a paying line, on account of the inferiority of the latter port; statement on the other hand by the Collector of the Godavery district that this is the most promising scheme which has been proposed for the south of India, *Conway-Gordon* 5369, 5370. 5375. 5384–5386. 5390–5394.

Particulars respecting this line, as proposed by the Government of India in January 1833, *App.* 524. 533.

Great value of the proposed line in opening out the Chattisgarh district; large population of this district, *App.* 864–868.

Documentary evidence, and extracts from official correspondence, respecting the proposed construction of this line, and its advantages; sanction not yet given by the Secretary of State, *App.* 862–869. 920.

W.

Wages. Improved wages and improved condition of the people consequent on the railways, *Chapman* 802–806. 876–878. 903–905——Great importance of the extension of railways in the effect upon the labour market in India; belief that in many instances the wages would be doubled, *Glover* 1895, 1896. 1910–1922. 1932–1943. 1955–1961. 1996–1999. 2002–2008—— Opinion that if the Government continue to spend only four millions a year the price of labour will not be much increased, *ib.* 1918, 1919.

Statement that the daily wages of coolies in the villages of Bilaspur is as low as 1½*d.* per day, *Birkmyre* 3411, 3412. 3476——Increased cost of labour in consequence of the railways, *Westland* 4951–4955.

Concurrence of evidence as to the very beneficial operation of railways with respect to the condition of the people and the rise in wages, *Rep.* viii.

Waggons. Proposal at the present time that on the East Indian line the American bogey waggon shall be substituted for the ordinary waggon, with the object of reducing the dead weight on the broad gauge, *Rendel* 5715, 5716.

See also *Engines and Rolling Stock.*

Wardha Coal. Bad character of the Wardha coal; opinion that as far as this coal is concerned the Hyderabad Railway is not very much needed, *Rendel* 6013–6018.

Report, 1884—*continued.*

Wardha Coal Railway. Statement showing for each year the mileage, average age, cost, and general results of working, *App.* 779.

Warora-Chanda Railway. Length and cost of this project as proposed by the Government of India to be left to private enterprise, *App.* 530.

Documentary evidence submitted by Major Conway-Gordon showing the views of the Government of India and of the Madras Government in favour of the construction of this line; approval on the part of the Secretary of State, *App.* 908-910. 920.

Waste Land. Extensive districts of waste land in India capable of cultivation, *Conway-Gordon* 5453. 5469-5474.

Waterfield, Henry. (Analysis of his Evidence.)—Is Financial Secretary at the India Office, 6029.

Examination as to the origin and progress of the policy of constructing large public works in India by direct agency of the State, by means of borrowed money, 6030 *et seq.* —— Proposal in 1866 that extraordinary works should be separated from ordinary expenditure and not included in the figures upon which the annual surplus is calculated; proceedings consequent thereupon, 6030-6045. 6297-6309 ——Large scheme proposed by Lord Mayo's Government in 1869 for the extension of public works by loans, amounting to six or eight millions a year for the next ten years; disagreement with this scheme on the part of the Home Government, 6033, 6034.

Information generally as to the different proposals put forward in regard to railway extension in India; great stress placed by the Home Government on the importance of economy of construction and the selection of lines which would not involve heavy works, 6035-6040. 6309-6311. 6313-6318. 6324-6334——Rule laid down by Lord Salisbury in 1874 that all the money required for railways should be raised in India, 6039-6045.

Statement in detail as to the origin of the Famine Insurance Fund; arrangements made by successive Secretaries of State, that part of this fund should be devoted to the construction of protective works and part to the reduction of debt incurred for such construction, 6046-6070. 6113-6116. 6120. 6134-6155. 6276-6278. 6296——Special reason for raising the money for famine insurance in India, in order that native capital might be attracted and that the interest of the people should be enlisted in works for their own benefit, 6047, 6048.

Action taken in 1881 by the Secretary of State to define the works which were to be considered productive; statistics showing the financial results of the productive works so defined, 6064. 6070. 6112——Desire of Lord Hartington, when Secretary of State for India, to encourage private enterprise and construction by companies; facilities afforded by the Government with this object, 6064, 6065. 6071-6084.

Statement of the main provisions in the case of the arrangements made by the Government with the Bengal Central Company, by which a guarantee was given for a limited period; power reserved by the Government to purchase this line after thirty or after fifty years, and if not purchased the line to lapse to the Government after ninety-nine years, 6072-6074. 6084. 6312——Numerous schemes put forward by private companies as the result of the agreement made with the Bengal Central Company, 6074, 6075.

Proposals made by two private firms to undertake the extension of the Nagpore line to Calcutta; determination of the Government in regard to these proposals not yet arrived at, 6076. 6157-6159.

Desire on the part of the Great Indian Peninsula Company to construct a line from Bhopal to Agra and Cawnpore in extension of their main line; postponement of the negotiations, the question being referred by the Government to the present Select Committee, 6077. 6156. 6273-6275. 6282-6288——Guarantee received by the South Mahratta Company who construct and work the line as agents for the Government, who are the owners; absolute payment of the guarantee to the company in the equivalent of sterling, 6078-6080. 6084.

Grounds for adopting the mode of payment to the South Mahratta Company of such a number of rupees as will produce the requisite sterling sum in England, 6079, 6080—— Debentures at 3½ per cent. issued for the purpose of raising the money required for the Western Deccan line, 6081——Grant of land made to the Bengal and North Western Company by the Government, but no direct pecuniary assistance given; power reserved by the Government to purchase this line after thirty or after fifty years, 6082-6084, 6283. 6288.

Information as to the main points of difference between the Government of India and the Secretary of State in relation to the proposal of the Government in 1883 regarding the construction of railways; desire on the part of the Indian Government for a large extension of operations, to which the Secretary of State does not assent, 6085, 6086—— Comparison of the proposed outlay on public works with the actual outlay in past years, 6087——Sources from which the money laid out on canals and railways during the past five years has been supplied, 6088.

Report, 1884—*continued.*

Waterfield, Henry. (Analysis of his Evidence)—*continued.*

Examination as to the mode intended to be adopted by the Government of India in order to raise money for the proposed works during the next five years; thirty millions sterling to be borrowed in the open market during this period, 6089–6098. 6104, 6105. 6117-6119. 6121-6130. 6132, 6133. 6160-6170. 6184-6192——Proposal of the Indian Government to spend during the next five years on canals and railways thirty-eight millions sterling as compared with thirty millions in the preceding period of five years; amount to be spent on irrigation and railways, respectively, 6089.

Absence of restriction on the Government of India as regards the amount to be borrowed in India; in England the power to borrow is strictly limited by Parliament to a specified amount, 6091. 6095——Statement as to the increase of the rupee debt since 1813; one-fourth of the rupee securities held by natives and three-fourths by Europeans, 6093.

Necessity of obtaining an Act of Parliament if it be intended to adopt a system of borrowing in England; unwillingness hitherto on the part of Parliament to entrust large borrowing powers to the Home Government, 6097, 6098——Large increase in the amount of remittances to England since the year 1868–69; decided opinion that these remittances tend to prevent the rupee rising in value, 6099–6104. 6201-6203. 6240.

Causes which have led of late years to the depreciation of silver; considerable diminution in export of silver from America within the past few years, 6100, 6101. 6176-6178. 6254–6259——Assertion that the construction of public works from borrowed money, if raised in India, will be an unmixed good; belief, however, that directly the money has to be procured from abroad an element of danger comes in, 6104. 6221.

Expediency of obtaining foreign capital sparingly and equally; contention that sudden expansions are more wasteful than sudden reductions, 6104. 6191–6195. 6245–6248. 6266——Suggestions with reference to making such additions to the Finance Accounts as will show the real result to the Government of the railway transactions of the year; impossibility of showing distinctly the question of exchange in the accounts, 6106–6111. 6131.

Fluctuations in price of the 4 per cent. rupee securities since 1861, when they were at 71; price of these securities unduly high in recent years owing to exceptional circumstances, 6117——Explanation as to the saving by borrowing in England if exchange were to remain unaltered; impossibility for various reasons of laying down a precise rule as to the line to be drawn between borrowing in India and in England, 6118, 6119.

Average annual amount of 22,000 *l.* spent in the last three years upon actual relief of famine; total of 67,000 *l.*; 6145-6147——Statement that the policy of the Famine Fund is not to endeavour to pay off the past, but to avoid the incurring of future debt; if the protective works answer the purpose of reducing the expenditure in the case of a future famine, this result will be gained, 6150–6155.

Law recently passed by the Bengal Council to enable the Calcutta Port Trust to borrow in London, which previously it had not been possible to do; explanation that this is merely a permissive law which enables such bodies to borrow in the London market if the Home Government approve, 6161-6170——Undertakings upon which it is proposed to spend four or five millions by the Port Trust and the municipality of Calcutta, 6161. 6171.

Explanation as to the mode of accounting for the receipts from protective lines which were made out of revenue and not debited as productive lines, 6179–6183——Approval of making forecasts of expenditure but not of revenue for longer periods than five years; expediency at the same time that the Government should hold itself free to adjust its expenditure to any altered circumstances, 6193–6195. 6218-6220. 6319-6321.

Further examination relative to the mode of raising money for the proposed works; calculation that the saving of borrowing in England as compared with borrowing in India is about a half per cent., 6196-6200. 6221–6239. 6249–6253. 6260–6267. 6289–6295. 6304-6309——Great importance of reducing as much as possible the amount of remittances from India to this country, which at present is as much as India can bear; 6202–6204.

Conclusion that the present financial position of India does not justify any very large addition to the future burden on the revenues; opinion that the proposed expenditure upon railways of thirty-three millions during the next five or six years is not safe, 6207–6217——Admission that the objection to borrowing is minimised if the borrowing takes place in that metal which is used in the currency of the country, 6224.

Impossibility of borrowing in India, even at an extra cost of a half per cent., sufficient money to carry out the proposals of the Indian Government for the next five years, 6226, 6227——Grounds for the opinion that it is unwise for the Government to speculate in regard to the chance of the value of the rupee taking an upward direction; contention that there is greater risk in calculating the future value of silver when paying interest

Report, 1884—*continued.*

Waterfield, Henry. (Analysis of his Evidence)—*continued.*

interest on certain loans, than there is in paying a high rate down, 6231-6239. 6260-6263.

Statement that the necessity for increased taxation in the future depends altogether upon the question of railway receipts in future years, 6241-6244——Conclusion that the question of putting out a loan in the Indian money market is one merely of price; belief that there is no reason to suppose that money cannot be borrowed in rupees if the amount be not too large, 6251-6253.

Grounds for the opinion that it is not necessary that the proposed railway extensions should be carried out in five or six years; expediency of the work being done steadily, but not so rapidly, 6267-6272——Contention that the works which are to be constructed by appropriating the Famine Fund should be those which are strictly needed for the prevention of the relief of famine, 6278.

Strong feeling that under no circumstances should there be fresh taxation for the purpose of extending railways more rapidly than they are now being constructed, 6279-6281——One reason for caution in regard to expenditure upon railways is that, notwithstanding the care taken in the past to avoid extravagance, the sterling debt has increased within the last fifteen years by twenty-two millions, 6289-6295——Opinion that the expenditure upon the Quetta Railway is large enough to take the whole of the surplus as provided in the Budget, 6295.

Necessity, if the companies do not come forward as anticipated, and if it is essential to construct the lines within the specified period, for the Government of India themselves to borrow over twenty-six millions; belief, however, that they are not prepared to execute the proposed works if so large a proportion falls upon their direct agency, 6300-6311——Explanation of the terms given by the Indian Government under a limited guarantee, as in the case of the Bengal Central Company, 6312.

Waterfield, Mr. Tabular statements submitted by Mr. Waterfield containing statistics on various points, *App.* 693-699.

Wazirabad-Sialkot Railway. Particulars respecting this line, as proposed by the Government of India in January 1883, *App.* 524.

Documentary evidence submitted by Major Conway-Gordon respecting this line, its advantages, estimated cost, &c.; sanction by the Secretary of State, *App.* 906. 919.

Western Deccan Railway (*Poonah to Belgaum*). Arrangements made with the Southern Mahratta Company for the construction of this line as a protection against famine, *Westland* 4571; *Conway-Gordon* 5375.

Debentures at three-and-a-half per cent. issued for the purpose of raising the money required for the Western Deccan line, *Waterfield* 6081.

Particulars respecting this project, as proposed by the Government of India in letter of 23rd January 1883, *App.* 513-526.

Documentary evidence submitted by Major Conway-Gordon respecting this line, its advantages, estimated cost, &c.; sanction given by the Secretary of State, *App.* 903-905. 919.

Western Rajputana Railway. Statement showing, for 1879 and 1880, the mileage, average age, cost, and general results of working, *App.* 780——Amalgamation of this line with the Rajputana Railway in 1881, *ib.*

Westland, James. (Analysis of his Evidence.)—Holds the office of Comptroller and Auditor General to the Government of India, 4743.

Information generally with reference to the famine policy of the Government as far as finances are concerned; proposal in 1878, for the first time, by Sir John Strachey that there should be a surplus, reserved annually, of one and a-half millions for famine insurance, in addition to the half million ordered by the Secretary of State, 4744, 4745.

Calculation made that famine in every ten years would cost fifteen millions, which, by the surplus of one and a-half million annually, would be provided for; determination of the Government of India to invest the surplus annually in productive public works, so as to avoid additional borrowing, 4745.

Direction in 1881 by the Secretary of State that half of the one and a-half million should be actually expended on public works, and half the amount be applied to the reduction of the debt, 4745——Question as to using part of the famine surplus for the payment of interest upon money borrowed for public works, first raised by Lord Lytton's Government in 1879, and negatived by the Secretary of State; grounds upon which the sanction of the Secretary of State was refused, *ib.*——Statement that the Estimate by

Report, 1884—*continued.*

Westland, James. (Analysis of his Evidence)—*continued.*

the Government of India of one-and-a-half million annually as the cost of famine was excessive, 4745.

Explanation with reference to the proposals of the Government of India as to construction of railways since 1881; feeling on the part of the Government that commercial lines must be put aside, and that only lines protective against famine should be taken up, 4749-4763——Adoption by the Government of the Nagpur and Chattisgarh line, which is to run into a country where there is a large reserve of grain, 4749.

Statement as to the particular lines which are proposed by the Government as protective against famine; different districts in need of protection, 4750, 4751——Concentrated effort of the Government to push on the protective lines with the belief that they will be to a large extent productive; technical meaning of "productive" line that it will pay four per cent. within five years after opening, 4753-4756.

Witness submits that there is no doubt but that nearly every mile of railway in any part of India will pay ultimately, 4755, 4756——Willingness on the part of the Government to give all facilities, short of financial aid, to private enterprise to construct railways, 4757.

Recommendations on the subject of the rate of railway progress made to the Government by the Madras and Bombay Chambers of Commerce, 4760-4763——Circumstance of the Bengal merchants having proposed to undertake railways, 4761——Views of the Madras Chamber as to the expediency of pushing on the famine lines with greater speed, 4762——Comment upon the proposal of the Bombay Chamber as to the mode of raising the required capital, *ib.*

[Second Examination.]—Further statement explanatory of the views of the Government of India that at present it would be unwise to revert to the system of limited guarantee in regard to new lines which are not indispensable for protection against famine, 4764——Expediency of leaving the Indian Government and the Secretary of State free to deal with each particular case of guarantee to a protective line, 4765. 4972.

Opinion that in every case of a permanent guarantee there should be a provision for compulsory purchase by the Government at a price not above a certain maximum, 4768-4770*——Great importance that the profits of a line should always be calculated upon a rupee basis, as is done in the case of the South Mahratta Railway, 4771——Desirability that as much as possible of the capital of guaranteed lines should be in the form of debentures; grounds for this opinion, 4771.* 4855-4858. 5022-5027.

Recommendation by the Famine Commission that in the construction of protective lines nothing should be attempted at the first which might divert the available funds from what is strictly essential, 4772——Statement that the Financial Department concurs generally in the proposals of the Public Works Department in regard to railway construction; inexpediency of the Government binding itself to any hard-and-fast programme either as to the particular lines to be made or the order in which they are to be taken up, 4773-4775. 4942-4950. 5010-5018——Opinion that the Government has not pledged itself absolutely to the proposed scheme in regard to railways, but has simply expressed conclusions in its favour, 4774, 4775.

Examination with reference to the present financial position of the Government of India; explanation generally as to the method followed by witness when preparing the papers put before the Committee upon this subject, 4776-4784. 4818-4832. 4859-4866. 4876-4878. 4931-4940.

Grounds for the statement that the Indian Government is not merely an administrator, but is in some sense a trader; great fluctuation in the opium department, which affects materially the revenue of the Government, 4776——Distinction drawn between Imperial and Provincial finance, which is entirely peculiar to India, *ib.*

Explanation as to the method by which the question of exchange is dealt with in the Finance Papers; arbitrary and artificial sense in which the statement that ten rupees equal 1 *l.* sterling must be considered in these accounts, 4776——Recovery of the country in 1882 from the disastrous effects of the famine of 1877-78; large amount of import duties remitted, and the salt tax also largely reduced in consequence of the improved state of the revenue, *ib.*

Opinion of the Government that the best use they can make of the growing revenue is to prosecute a scheme of railway construction which has for its object the development of the country and its protection from famine, 4776——Continuous increase during the past five years in the revenue received from State railways; details of the estimated receipts from these lines for the year 1884-85, *ib.*——Net result of the present financial position, that upon the present balance of revenue and expenditure the estimate is a surplus of forty-eight lacs of rupees; inclusion in this estimate of the entire reservation of the famine insurance, *ib.*

Explanation as to the financial results of the present proposals of the Government in regard to railways; calculation that thirty per cent. of the whole amount proposed to be spent

Report, 1884—*continued.*

Westland, James. (Analysis of his Evidence)—*continued.*

spent will be paid in sterling in England, and the balance will be the actual expenditure in rupees in India, 4776-4784. 4866-4875. 4960, 4961——Forecast for ten years prepared by witness, showing the financial effect of the whole of the proposals of the Government; contention that the operations of the first five years are not likely to throw any burden upon future years, 4778. 5004——Statement that the figures prepared by witness represent the question in the most unfavourable light, so as to make the Estimate perfectly safe, 4779-4781. 5008, 5009.

Information generally with reference to the borrowing operations of the Government; statement that these operations always exhaust for the time the whole resources of the Indian market, 4785-4808. 4833-4844. 4951. 4956. 4962, 4963. 4979-4990——Particulars as to the class of people in India who in the first instance take up the loans; instance of a doorkeeper in the bonded warehouse at Calcutta, whose salary was twelve rupees a month, being a large and successful dealer in Government paper, 4786——Large amount of permanent investment in the Government loans taken up in England, 4787-4790.

Decided opinion that at the present time two-and-a-half crores is too much to throw each year upon the Indian market, 4791——Explanation as to the cause of the falling off in the loans in the Indian market of late, 4792——Unsuccessful efforts made in India since 1870 to induce the masses of the people to invest small amounts in Government loans; stock notes for sums varying from 12½ to 100 rupees issued at the treasuries throughout the country, 4793-4795. 4841, 4842——Provincial debentures at 4 and 4½ per cent., in connection with public works, also issued, but not successfully taken up by the people, 4793-4795.

Large amounts deposited by the people in the savings banks, especially in Bombay, where the deposits are growing at the rate of ten lacs a year; post office savings banks lately instituted, which have been successful in attracting the savings of the agricultural class, 4795-4799. 4839. 4843, 4844——Distribution of the Indian debt as held by natives in India, Europeans in India, and the amount enfaced to London, 4800.

Information as to the net result to the Government in regard to raising loans in sterling in England, as compared with raising them in rupees in India; smaller percentage paid for the loans in England than is paid in India for rupee loans, 4801-4804——Strong opinion that the Government should be left with free hands as regards borrowing, and that there should be no hard-and-fast rule on the subject; contention that this freedom should apply not only to the place of borrowing but to the limit of the amount, 4805-4807.

Suggestions as to improvements in the form of accounts in the event of the Government borrowing in sterling in England; belief that there would not be much difficulty in altering the form of accounts, so as to show the difference between the rupee and the sterling loan, 4808-4812——Decided opinion that it is less inconvenient to alter the accounts than to show, as at present, transactions far removed from the truth by assuming that the rupee is one-tenth of a pound sterling, 4811, 4812.

Disagreement with Major Conway-Gordon's proposal that the railway and public works accounts should be separated from the general revenue accounts of the Empire; grounds for believing that there would be no advantage in this change, 4813-4817.

Examination as to the claims on India by the War Office in respect of the non-effective charges of the English army; practical admission of the claim of 2,200,000 *l.* by the Government of India, which amount it has agreed to pay, 4818-4823. 4862-4865——Admission that the estimates put before the Committee would be very seriously affected if a famine were to occur; belief that such an event would swallow up the annual increase of revenue for a year or two certainly, 4831, 4832.

High rate of interest charged by the ryot when lending money to his neighbours; 37½ per cent. frequently the rate per cent. between ryots and local traders, who supply them with seed and help them with their revenue payments, 4837, 4838.

Further information respecting the lines proposed to be taken up by the Government; indication that private enterprise is not prepared without a guarantee from Government to enter upon railway construction, 4845-4854. 4879-4916. 4920-4927——Negotiations with regard to the Chattisgarh and Nagpur line postponed by the Secretary of State until the Report of the present Committee is received, 4853, 4854——Capital of 1,700,000 *l.* raised by the South Mahratta Company, by means of debentures, in the same way as is suggested by witness, 4857, 4858.

Willingness on the part of the Indian Government to permit companies to come and take up any railways they like, so long as a guarantee is not required, 4871-4873——Statement that witness' own opinion coincides in the main with the instructions which he has received from the Government, 4876, 4877.

Grounds for the opinion that at the present time protective lines should be pushed, in preference to commercial lines; in past times the Government largely took up those lines

Report, 1884—*continued.*

Westland, James. (Analysis of his Evidence)—*continued.*

which were supposed to be purely productive, 4879-4927. 5019-5021——Impossibility of conveying produce to certain provinces at the present time, if famine were to occur; dominant consideration of the Government, for this reason, that they should be prepared with railways to meet such an emergency, 4883-4887. 4915. 4964-4968.

Belief that there is no substantial difference between a protective and a productive line in a populous province; explanation that the severest famines occur in the most populous places, 4886-4906——Opinion that the line between Chattisgarh and Calcutta will be a paying line, but will in no sense be protective on account of the sparseness of the population, 4891-4898.

Intention that the Vizagapatam-Raipur line will enable the Orissa coast, in case of famine, to be fed from the grain tracts of Chattisgarh, 4899-4906——Project on hand at the present time to protect the Bundelkund districts by irrigation; large amount of money already spent upon the Betwa Canal, 4917-4919.

Opinion that there are many advantages in making over the construction of lines to companies; contention, however, that there is ample room both for the companies and the Government, 4928-4930——Statement that in estimating the surplus available for railway construction the Government have excluded wars, and have assumed that famines are sufficiently provided for; belief that during the last ten years the number of years adversely affected by political accidents was not a large proportion, 4931-4940.

Practical impossibility to construct a coast railway from Calcutta to Madras, on account of the cost of bridging the numerous rivers, 4941——Opinion that if the Government were to come into the London market to borrow five millions annually, they would have to pay more than they do at present, 4951.

Price of labour in India sent up by the extension of railway construction; explanation that notwithstanding the increased cost of labour the proposed new railways would not cost nearly as much as the guaranteed lines, 4951-4955——Statement that although separate railway accounts are not published, it is very easy to obtain information as to the result of working from the accounts presented to Parliament, 4957-4959. 5006, 5007.

Determination of the Government not to increase the taxation of the country in connection with the extension of the railways; view that delay in the construction of the proposed lines would be a less evil than an increase of taxation, 4970, 4971. 4973-4978——Grounds for the opinion that the liability for the loans should be divided between the Government and the Companies, 4980-4990.

Further statement that the land will be given by the Government to any company desiring to take up a line, but beyond this assistance they will not go, 4991-4997——Belief that as regards the present estimates there will be no need for any further invasion of the famine fund for the purposes of guaranteeing railways, 4998-5005.

[Third Examination.] Admission that the policy of the Indian Empire has been to spend out of revenue as against capital on railways, 5028-5030——Information with reference to the proper mode of charging loss by exchange in the railway accounts; explanation that this question is a mere matter of account, and that there is loss by exchange upon borrowed money as well as upon remitted money, 5031-5033. 5067-5080.

Further examination as to the position of railways in regard to the general finances of India; statement that no part of the capital expenditure of productive lines is charged against revenue, 5034-5047. 5061-5066. 5106-5114. 5173-5182. 5237-5253. 5262-5268. 5315-5321——Explanation as to the course adopted in the case of railways upon which the expenditure has been charged to revenue, and which afterwards became productive, 5040-5047. 5280-5287——Statement that in the year 1883 there was capital expenditure upon ordinary public works out of revenue to the amount of nearly four millions, 5048, 5049. 5254-5261.

Consideration of the question of risk as run by the Government in guaranteeing interest on, or in themselves constructing railways in connection with the question of there being a reserve of expenditure; belief that in case of accident the Government would suspend some of the ordinary works so as to continue the construction of the railways, 5050-5060. 5098-5105. 5183-5185——The net annual revenue of India when there is neither a surplus nor a deficit, amounts to about seventeen millions sterling; the loss by exchange in remitting fourteen millions of this revenue to England amounts to three millions sterling, 5067-5069.

Additional examination with reference to the financial results of borrowing in India or in England; argument that there is no saving by borrowing large sums in England, as the difference in cost is a matter of account, and not an actual saving, 5072-5097. 5119, 5120. 5289-5303. 5356-5362——Statement that the difficulty of borrowing in India is increasing, while, on the other hand, the facility of borrowing in London is also increasing, 5087-5090.

Report, 1884—*continued.*

Westland, James. (Analysis of his Evidence)—*continued.*

Opinion that it is not advisable that the Government should at present retrench its ordinary public works expenditure, so as to divert some of it towards productive purposes, 5104, 5105——Explanation as to the effect of loss by exchange upon the capital transactions of railways, 5106-5108.

Grounds for the exclusion from the account of the surplus of last year of the payment to the War Office of 1,000,000 *l.* on account of non-effective charges, 5115-5118——Statement that the current payments to the War Office are reduced from what they hitherto have been on account of a change in the method of reckoning them; extra payments beyond this reduced amount to be made so as to pay off the arrears, 5117, 5118.

Further evidence in relation to the proposed expenditure upon railways in the future; liability of the Government for an additional expenditure of 1,000,000 *l.* for the next five years, 5121-5128——Conclusion that the effect of the present proposals will be to render it extremely difficult for the Government to take up any question involving the remission of any existing revenue, 5127, 5128. 5130.

Question before the Government of India for some time with reference to a reduction of the export duties upon rice in Burmah, which is postponed until the railway policy has been carried out, 5129–5134——Entire reversal by the proposals of the Government of the productive works policy laid down by the Committee of 1879; 5124-5138.

Further examination with reference to the policy of 1878, of providing an annual famine fund of a million and a-half, in addition to the half million provided by the Secretary of State many years before; belief that this provision retards the natives from making provision for themselves, 5139–5172. 5229-5236. 5269–5279.

Policy laid down in 1881 that half of the famine fund should be devoted to protective works, and the remainder to the reduction of debt, 5145–5153——The actual expenditure upon famine relief between the years 1873–74 and 1882–83 amounted to 14,700,000 *l.*, in conventional sterling; explanation that the total cost of famine has been more on account of the loss to the revenue, 5157, 5158.

Estimate of the Famine Commissioners that the deaths from famine in Madras and Bombay, between 1874 and 1878, amounted to five and a quarter millions in excess of the deaths which would have occurred had the seasons been ordinarily healthy, 5160. 5269, 5270——Statement that the revenue of India has been sufficient during the past twelve years to provide every rupee which has been spent on famine, 5171, 5172.

Information as to the Indian debt which at the 31st March 1883 amounted to 159,274,000 *l.*; the increase of debt between 1871 and 1883 amounted to 50,359,000 *l.*; 5177–5179. 5185–5193.——Detailed statement of the extraordinary expenditure of 36,105 000 *l.* from 1871 to 1883 charged upon the revenues of India without borrowing, 5181, 5182. 5347–5350.

Belief that if the Government be as fortunate during the next twelve years as they have been in the past twelve years they will be able to meet the whole of the present proposals for railway construction, and have a handsome series of surpluses over, 5183——Calculation that from 1870 to 1883 the rupee debt in England had increased by 24,000,000 *l.*; 5191, 5192.

Examination as to the amounts of Government remittances to England since the year 1868-69; if the Government are to borrow in England, the present proposals will add to the amount of the annual remittances, 5193–5219——Principal part of the remittances to England made by means of sterling paid to the Secretary of State in respect of demands issued by him upon the Indian Treasuries; the foundation of these remittances is the produce exported from India, 5205, 5206,

Possibility of meeting the demand for remittances to England by reducing the imports; large cotton indnstry springing up in India; which to some extent will take the place of the present import of piece goods, 5207, 5208. 5351.——Belief that as regards the increase of sterling borrowing in England, the interest on which has to be remitted from India, the exchange will adjust itself, and that although it may do so at a lower rate it will not be a calamity for India, 5215–5219.

Further explanation respecting the proposed change in the accounts, with the object of removing obscurity as to the position of Government in the event of a system of borrowing in England being adopted; absence of any intention to alter the Indian form of account, 5221–5228——Additional entry suggested so as to charge the exchange upon the amount of sterling borrowed, 5222–5227.

Impossibility of inducing the natives to emigrate to other places so as to avoid the dangers of famine; emigration is utterly alien to the native manner of life, 5233, 5234——Statement that the expenditure upon works and modern improvements in India amounts to about seven per cent. upon the gross revenue, 5259, 5260.

Report, 1884—*continued.*

Westland, James. (Analysis of his Evidence)—*continued.*

Admission that many of the railways charged to capital are not productive in the strict sense of their producing four per cent. within five years; they are, however, productive otherwise than in their restricted sense, 5262-5264.

Statement that the expenditure upon the Madras famine during the three years it continued was 7,804,000 *l.*, as compared with that in Bengal of 6,710,000 *l.*; 5271. 5275, 5276——Belief that the circumstances and habits of life of the natives of India are not such as would induce them to provide against famine whether the Government assisted them or not, 5272-5274

Further explanation of the reasons for the difficulty which exists at present in regard to borrowing in India; opinion that the accumulations of money are only in the hands of those natives who follow mercantile pursuits, and that they will not invest in four per cent. loans, 5289-5296——Belief that the native princes who formerly contributed largely to the East India Company's loans are more in debt than able to contribute money; explanation as to the cause of this, 5294-5296.

Statement that formerly the money obtained upon guarantee was raised upon less favourable terms than that borrowed directly by the Government; opinion that this arose from the magnitude of the transactions, 5297, 5298——Grounds for considering it expedient to raise as much as possible in India of the money required for the Government, 5302, 5303.

Further suggestion as to publishing separate accounts showing the exact results of the working of the railways, 5304-5306——Statement that at present the accounts are not available to the public in any form except that of the Railway Administration Report, which it is difficult to comprehend, 5306-5308.

Export taxes entirely remitted in India, with the exception of that on rice, 5309-5314——Argument that although export duty on rice is for the benefit of the whole of India, the natives of Bengal and Bombay get the entire benefit of the trade, 5322-5330.

Additional information as to the method of estimating the surplus over revenue applicable to public works; low estimate in this calculation taken in regard to the opium trade, 5331-5337——Conclusion that in the event of pressure through the railways not paying, the Government would not resort to the raising of the land tax, 5338-5346——Statement that it is impossible suddenly to increase the land revenue receipts; explanation that increase arises partly from land being brought into cultivation, and partly from higher prices and new settlements, 5344-5346.

Opinion that if the annual expenditure upon railways be increased by a million it will not be possible to reduce the export duty on rice, 5354——Possibility that the increase of revenue from the railways in future will enable the Government to remit the duty on rice, 5354, 5355,

[Fourth Examination.]—Tables of statistics prepared by witness for the use of the Committee with regard to the financial position of Indian railways, 5620——Statement that the statistical details of railway expenditure are not immediately procurable but that they can be obtained if necessary by the India Office, *ib.*

[Fifth Examination.]—Further examination respecting the extent to which it would be judicious that a provincial government should have power to construct local railways out of their own funds; suggestions as to the method by which this system could be extended, 7107-7133.

Statement that when any railway is constructed it is charged against ordinary revenue when it is anticipated that it will not be a paying line, 7109-7118——General proviso that provincial governments shall meet out of their revenues any deficit in respect of the working returns of the lines, 7121, 7122.

Grounds for the opinion that the accounts as regards the contracts between the provincial and Imperial Governments in regard to expenditure on railways should be kept separate, 7126——Explanation with reference to the arrange ment made with the South Mahratta Company for rupee payment in India equivalent to a sterling payment; approval of paying the interest in England in sterling, 7134, 7134*.

Westland, Mr. Statistics of Indian railways, as submitted by Mr. Westland, for 1882-83 and 1883-84, *App.* 622.

Paper submitted respecting annual payments of interest on Indian debt since 1870-71, *App.* 623.

Particulars supplied by Mr. Westland relative to the outstanding debt of India on 31st March in each year since 1870, *App.* 623.

Paper submitted by Mr. Westland, dealing with the question of loss or gain, by substituting sterling borrowing for rupee borrowing; correction of misapprehension on various points, *App.* 624-629.

Paper, dated May 1884, showing the present financial position of the Government of India, the revenue and expenditure in respect of railways, &c., *App.* 630-637.

Consideration by Mr. Westland of the financial results of the proposals of the Government of India as regards railway extension; conclusion that a considerable margin exists after undertaking the whole of the proposed lines, *App.* 640-645.

Report, 1884—*continued.*

WHEAT:

1. *Question of Competition of Indian with American Wheat in the English Market.*
2. *Cost of Production in India.*
3. *Extent of Cultivation and of Export hitherto.*
4. *Prospect of Increased Cultivation and Export as a Result of Railway Extension.*
5. *Conclusions arrived at by the Committee.*

1. *Question of Competition of Indian with American Wheat in the English Market:*

Improbability of American wheat competing successfully with Indian wheat in the British markets if wheat can be produced in India at the reduced cost of 12 *s.* a quarter, *Sir J. Caird* 410–412.

Considerations as to the relative cost of carriage of wheat to the sea coast in America and in India, *Sir J. Caird* 412——Better quality of the finer American wheats than of the finer wheats of India, *ib.*

Grounds for the conclusion that the cost of production in India is about 18 *s.* 6 *d.* a quarter, *Sir J. Caird* 457–468. 517–521. 560——Calculation that as regards cost of transport of wheat, &c., by railway, the rates in India assimilate to the low charges in America, *ib.* 548–554.

Examination with reference to the considerable development of the wheat trade in India during the past five years; belief that if railway accommodation were extended Indian wheat would compete in the English market with that of any other wheat-growing country, *Coke* 1260–1268. 1315–1331. 1395–1399. 1418. 1422–1424. 1455–1458.

Great importance of encouraging the cultivation of wheat in India for exportation to England instead of obtaining it from America; impossibilty of developing the Indian wheat trade except by means of railways, *Bythell* 2611——Higher rates for carriage of wheat charged by the Indian railways than is charged in America, *ib.* 2625.

Favourable opinion as to the price at which wheat can be raised in India as compared with America, *Birkmyre* 3423–3429.

Grounds for the opinion that India, as a wheat-producing country, has largely the advantage of America; belief that in a war of rates America would entirely fail, *Conway-Gordon* 5521, 5522. 5541–5551.

2. *Cost of Production in India:*

Consideration of the cost of production of wheat in different parts of India; opinion that this is nearer 18 *s.* 6 *d.* than 12 *s.* a quarter, as stated by the Indian Agricultural Department, *Sir J. Caird* 410–412. 457–468, 517–521, 560——Opinion that inclusive of rent, labour, and other charges, the cost of growing wheat in India may fairly be taken at 19 *s.* or 20 *s.* a quarter, *ib.* 676–685.

Information respecting the cost of production and the price of wheat in India; conclusion that wheat may be raised with advantage in the Central Provinces at 11 *s.* 8 *d.* per quarter, *Birkmyre* 3419–3433. 3458, 3459. 3465, 3466——Advantage of a low rate of exchange to the farmer in regard to the price, *ib.* 3472–3474.

Result of certain experiments made by the Government that wheat can be raised by hired labour in India at about 12 *s.* and sold, with a good profit to the cultivator, at 16 *s.* or 18 *s.* a quarter, *Hunter* 7197.

3. *Extent of Cultivation and of Export hitherto.*

The total export of wheat has never exceeded one million tons, *Sir J. Caird* 457——Very small export of wheat and rice as compared with the surplus grain produce of the whole country, *ib.* 471–477. 494–496.

Consumption by cultivators of the cheaper grains, wheat being sold in payment of rent and labour, *Sir J. Caird* 561, 562——Extensive area under wheat, the extent of cultivation depending chiefly on the price in England, *ib.* 639–641.

Information in detail respecting the development of wheat cultivation in India; the increase of export between 1878–79 and 1883–84 has been from one million hundredweights to one million tons, *Coke* 1260 *et seq.* 1490–1495. 1522–1526. 1532–1543——Explanation of the fact that the recent great fall in the price of wheat in England has not reduced the exports from India, *ib.* 1315–1320. 1325, 1326——Reference to a pamphlet written by Major Conway-Gordon upon the subject of the Indian wheat trade in its relation to railway business, *Birkmyre* 3336, 3337.

Statement that, in the case of the enormous development of the wheat trade in India, it was not foreseen by anyone in England, although it was clearly anticipated in India, *Conway-Gordon* 3629——Belief that the greater portion of the wheat from the Gangetic Valley has of late years gone to Calcutta rather than to Bombay, *Crawford* 3734–3736.

Enormous quantities of wheat exported to Europe from the Bombay ports, the Presi-

Report, 1884—*continued.*

WHEAT—continued.

3. *Extent of Cultivation, and of Export hitherto*—continued.

dency being a large wheat-producing country, with the exception of the coast districts, *Ashburner* 6529-6533——Belief that the development of the wheat trade would not have been so extensive had it not been for the low exchange, *Robertson* 6666.

Tabular statement showing the exports of wheat from India to different countries in each year from 1871-72 to 1882-83, inclusive, *App.* 766.

Statement of the annual imports of wheat into England from different countries and from India in each of the years 1875-83; *App.* 767.

Tabular statement showing the annual exports, in quantity and value, of Indian wheat from each province from 1866-67 to 1882-83; *App.* 782.

4. *Prospect of Increased Cultivation and Export as a Result of Railway Extension:*

Witness is not so sanguine as many people about the increased produce and export of wheat; very favourable seasons in recent years, which cannot be relied upon to continue, *Sir J. Caird* 413. 457-477. 533-540——Increase of the population at a rate sufficient in two years to absorb the annual export of wheat, *ib.* 413. 494-496.

Improbability of successful wheat export to England at the present prices, *Sir J. Caird* 469, 470——Effect of increased prices in inducing increased cultivation of wheat, whilst an extension of railways would also tend to increase the production and the export, *ib.* 517-529. 533-540. 563.

Doubt as to wheat being produced to such an extent as to exhaust the soil; power of applying manure if there be increased cultivation through higher prices, *Sir J. Caird* 613. 642 —— Large tracts of country suitable for wheat cultivation, where there is irrigation, *ib.* 636-638. 643-645——Probability of wheat being substituted for other less paying crops, if its price should rise, rather than of new land being brought into cultivation, *ib.* 671-675.

Great development expected as the result of railway extension, *Coke* 1260 *et seq.*—— Grounds for believing that an increased export of wheat would not tend to diminish that of other articles of commerce, *ib.* 1266. 1395-1397 —— Favourable condition of the freight market as regards the import of Indian wheat into England, *ib.* 1331-1333.

Contention that the extension of railways will lead to a largely increased cultivation of wheat, and also to a material rise in the price, *Lord* 2462. 2494. 2507-2511. 2560-2567. 2572-2579——Opinion that if the rates were reduced the production of wheat in India would be materially increased, *Bythell* 2627.

Large increase in the export trade in wheat, if the railway system be properly extended, *Conway-Gordon* 5460-5468. 5510-5520. 5560-5583——Belief that the cultivation of wheat will be principally confined to the ryots, and not undertaken to a large extent by capitalists, as in the case of indigo, *Hunter* 7243, 7244.

5. *Conclusions arrived at by the Committee:*

Reference by the Committee to the enormous development since 1876-77 in the export trade in wheat, *Rep.* vi.

Data for the conclusion that the large increase of export in prosperous years is not prejudicial as regards subsequent outbreaks of famine, *Rep.* vii.

Tendency of the stimulus of high prices to induce the people not merely to substitute wheat for less remunerative crops, but also to improve their crops and to extend the area of cultivation, *Rep.* vii.

See also *Chattisgarh. Cultivation of the Soil. Grain.*

Wood, Sir Charles. Views of Sir Charles Wood in 1861 as to the exceeding importance of works of irrigation, &c., *Sir J. Caird* 381-383.

Wood, William Martin. (Analysis of his Evidence.)—Has been many years in India as editor of a daily paper; is intimately acquainted with the course of railway construction in that country, 2274, 2275.

Decided opinion that there should be a reasonably large and rapid extension of all public works, and especially railways, in India; expediency of expending ten millions annually for this purpose, 2276-2278——Propriety of considering the proposals of private companies for the construction of railways, conditionally on an efficient and active Government control, 2279. 2280. 2286, 2287.

Grounds for the view that the proposed coast line from Madras to Calcutta is a good example of a line that ought not to be made, 2281, 2282——Strong opinion that the lines to be constructed should be on the metre and not on the broad gauge; contention that there is a great aggregate saving in metre gauge as opposed to broad gauge lines, 2283-2285. 2288, 2289. 2295.

Report, 1884—*continued.*

Wood, William Martin—continued.

Great importance of canal extension, which for various reasons is much more economical than railways for conveyance of inland traffic, 2290-2294——Advantage of waterworks in the fact that a large proportion of the outlay in their construction remains in the country itself, whereas in the case of railways a large amount goes out of the country, 2292.

Wood, Mr. Memorandum submitted by Mr. Wood, in connection with tables, showing the advantages of taking up Indian loans in England instead of in India, *App.* 691, 692.

WORKING EXPENSES:

1. *Sundry Details respecting the Cost of Working the Indian Railways Generally.*
2. *Broad Gauge Lines and Narrow Gauge Lines, respectively.*
3. *Statistics suggested by Mr. Rendel.*

1. *Sundry Details respecting the Cost of Working the Indian Railways Generally:*

Several advantages in working the railways through the agency of companies, *Strachey* 31. 92-94. 104-114——Assertion that the cost of working is not greater in the case of the State lines than of the older lines, *ib.* 1228.

Favourable comparison as regards the cost of working the standard or broad gauge lines; explanation that it is the cost of working and not of construction which affects the trade of India, *Conway-Gordon* 4336.

Conclusion that of all the circumstances affecting the cost of working a railway, gauge is the least important; contention that quantity of gradients, cost of coal, and labour and management, are far more important items, *Rendel* 5624. 5691, 5692——Important consideration that if railways are to be extended the cost of the working, as well as the cost of construction, must be cheap, *ib.* 5718-5720.

Comparison as to the cost of conveyance of both passengers and goods on the Indian and the English railways; argument that the Indian cost is so much lower on account of the smaller waste of power, *Rendel* 5763-5786——Conclusion that the whole secret of the low working cost in India is due to utilising the trains to a greater degree than is the case in England, *ib.* 5922-5926.

Explanation that the cause of the difference between Mr. Rendel's figures and those of the Government of India in regard to the cost of working is that the two sets of figures go on different bases, *Conway-Gordon* 6719.

Abstract statement of working expenses in respect of each of the State railways in each year since 1868-69; *App.* 716, 717.

Abstract statements of the annual working expenses of each railway throughout India *App.* 738, 739. 746. 747.

Accounts showing the working expenses of the several State railways in each of the years 1881-82, 1882-83, and 1883-84; *App.* 751-753.

Statement showing the working expenses in each year of each railway in India from the commencement, *App.* 770-781.

Abstract statistics of the cost of working passenger and other coaching traffic on each railway in each half-year from 31st December 1880 to 30th June 1883; *App.* 798-802.

Abstract statistics of the cost of working in respect of maintenance in each half-year from that ending 30th June 1881 to that ending 30th June 1883; *App.* 822-827.

Abstract statistics of traffic expenses in proportion to traffic earnings in each half-year from that ending 30th June 1881 to that ending 30th June 1883; *App.* 828-833.

Statistics respecting locomotion expenses in relation to train mileage in different half-years, *App.* 834-839.

Details relative to carriage and waggon expenses in relation to the mileage run, *App.* 840-845.

Particulars as to the general charges in different half-years, *App.* 846-851.

Paper, submitted by Major Conway-Gordon, showing the financial results of the transactions connected with the working of the railways generally, distinguishing between the guaranteed railways and the State railways, *App.* 852.

2. *Broad Gauge Lines and Narrow Gauge Lines, respectively:*

Explanations respecting the relative cost in the case of the broad and narrow gauge, *Trevor* 1684-1687. 1784-1788——Assertion that if the rolling stock of the narrow gauge lines were differently designed, they would carry much more dead weight than they do, *Glover* 1969-1971——Belief that the working of broad gauge traffic is less expensive than the narrow gauge working, *Bythell* 2711.

Report, 1884—*continued.*

WORKING EXPENSES—continued.

2. *Broad Gauge Lines and Narrow Gauge Lines, respectively*—continued.

Statement to the effect that the working expenses are greater in the case of the narrow than of the broad gauge, *Conway-Gordon* 4653-4659. 4717-4726.

Statistics showing that the cost of working the broad gauge is considerably greater than the cost in the case of the narrow gauge; cost of working any railway largely affected by the quantity of traffic, *Rendel* 5624, 5625. 5689-5692. 5878-5883. 5949-5952. 6024-6026—Undoubted effect of increased traffic on metre gauge lines that the cost of carrying will decrease, *ib.* 5624.

Information generally on the subject of the comparative cost of the working upon broad and metre or narrow gauge railways in India; assertion that the cost of working locomotives on the metre gauge is considerably lighter than on the broad gauge, *Conway-Gordon* 6720-6781. 6785-6787. 6839-6847.

Belief that it is generally admitted that metre gauge lines work their passenger traffic with less dead weight than the broad gauge; as regards goods traffic the dead weight is practically the same on both gauges, *Conway-Gordon* 6773-6781.

Great disproportion on the broad gauge lines which the dead weight bears to the freight on account of the antiquated character of the broad gauge rolling stock, *Conway-Gordon* 6781— Statement that the lesser cost of the waggon and carriage traffic on the metre than on the broad gauge lines is to be entirely accounted for by the fact that on the narrow gauge lines the stock is all new, *ib.* 6785, 6786.

Memorandum as to the relative cost of rolling stock on broad and metre gauge railways, *App.* 605-607.

Comparison between the East Indian, the Great Indian Peninsula, the Rajpootana-Malwa, and the Bombay, Baroda, and Central Indian Railways in 1883, and in other years, as regards cost of working, &c., *App.* 653.

Cost of working coaching traffic, distinguishing between broad gauge and narrow gauge lines, *App.* 803.

Abstract statistics of the cost of working goods traffic on each of the broad and narrow gauge lines, respectively, *App.* 804-809.

3. *Statistics suggested by Mr. Rendel:*

Explanations in connection with the system of statistics introduced into India by witness, in conjunction with General Strachey and Mr. Danvers, and the value thereof as a check upon the cost of working, *Rendel* 5621. 5749-5770.

Grounds for believing that the introduction of a similar system of statistics as to the working of railways in England would lead to much greater economy; utter waste of power in England on account of running far more trains than the traffic requires, *Rendel* 5750-5754.

Decided opinion that such statistics as those referred to by Mr. Rendel are of relatively small importance; what is most wanted is an energetic manager who is always up and down the line, *Conway-Gordon* 6844, 6845. 6851-6853.

See also *Administration and Management. Coal. Engines and Rolling Stock. Financial Results of Railways. Rates and Fares.*

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